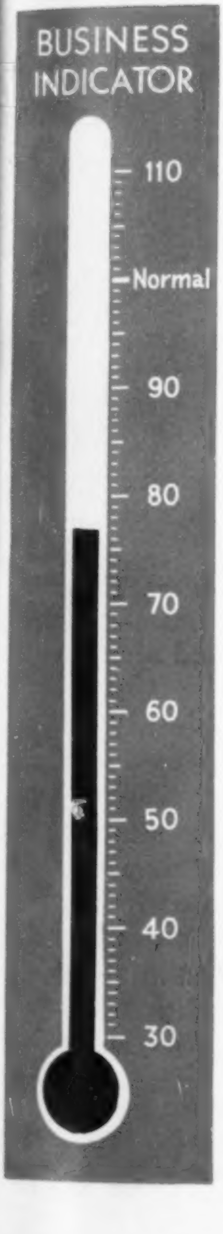
FEB 18, 1931

THE BUSINESS WEEK



Stock-market stories have blossomed on dreary front pages this week like sudden surprising crocuses under the sooty snow of the front yard . . . . Well, who knows? After a long, hard winter shut up in the barn, on very little hay, with the bears prowling outside, the lean herd of commerce can't be expected to sniff cynically at the snort of a bull, even though it be a mere technical snort . . . . Evidences of much trade improvement are still slight, but perhaps sufficient to excuse the eager turn of sentiment . . . . A rising backlog of steel orders, somewhat better than seasonal levels in car loadings, bank debits, currency in circulation, and commercial loans, a firming of some commodity prices and increasing bank bond investments are encouraging . . . . Yet our index of general business for the first week of February at 76.8% of normal (preliminary) shows little change from the low level at the end of January . . . . The passing of the bonus bogey, settlement of the relief squabble, and prospects of early lifting of the Congressional incubus probably have helped betterment of business feeling . . . . Revival of the Russian embargo agitation and renewed disturbances in Germany, however, suggest that some of the larger problems looming in the background have still to be reckoned with before the early spring flowers of the stock market will be safe from frost.

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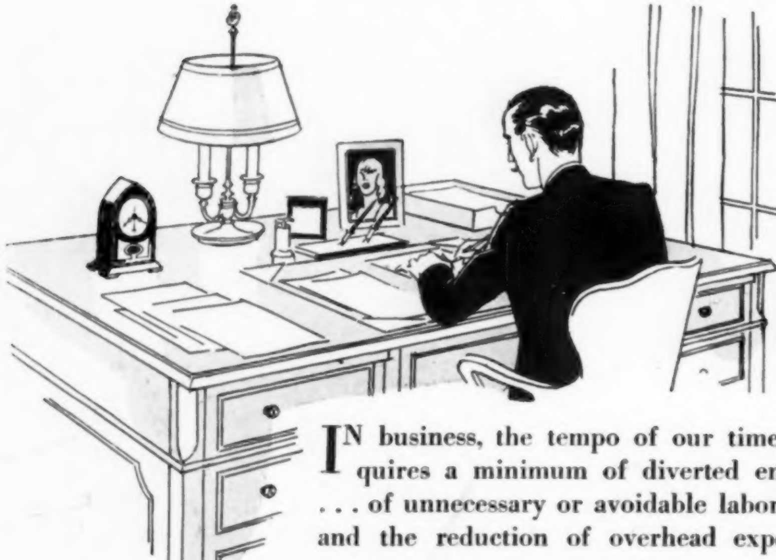

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THE BUSINESS WEEK (with which is combined The Magazine of Business) Feb. 18, 1931. No. 76 Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1931 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Rail Mergers

WILL railroad consolidations be a great benefit to carriers or public? Many practical railroad men are skeptical; the Green report to the Senate committee parallels their thoughts. (page 5)

Russia

MR. Mellon has clapped his long-expected embargo on "convict-produced" lumber and pulpwood. Foreseeing an extension of the embargo to other Soviet products, importers eagerly await a court test of his authority to make them carry the burden of proving that only free labor handled their shipments. (page 13)

Automobiles

CHEVROLET sales passed Ford's in December, for the first time since Model A got going good. Mr. Ford, of course, will do something about that. (page 7)

Railroads and Ships

RAILROADS want to run coastal ship lines again; ship-owners make internal peace to be ready for the impending battle. (page 5)

St. Lawrence

"CANADIAN politics" is the brief answer that explains the sudden interest in the St. Lawrence waterway. (page 6)

Wayside Inns

LONG-DISTANCE bus lines have long been handicapped by lack of rest and refreshment facilities. Now comes a nationwide chain offering bed and board for man and motor. (page 16)

For Better Marketing

WHOLESALERS of coffee and of electrical supplies, of dry goods and of groceries join in a comprehensive effort to study what is the future of wholesaling. Similarly, the utilities, department stores, hardware men, cooperate to study electrical goods retailing. (page 9)

"5 and 10" in Germany

WOOLWORTH pioneered "5 and 10" stores in Germany 4 years ago. Now there are 4 chains, 288 stores; all doing well even in depression year. (page 11)

Yellow Peril

COLORED margarine pays 10¢ tax on the pound; uncolored, ¼¢. Comes now a margarine naturally yellow. Dairymen are up in arms. Congress, judging by history, will tax the new product to suit the "butter bloc." (page 18)

Corn Sugar

CANNERS, free to substitute corn sugar for cane, show no enthusiasm, and Corn Products Co. itself advises slow development pending experiments. (page 20)

Tariff Leak

THE new tariff neglects specifying duty on syrups less than half-sugar and importers have been gaily pouring tanker-loads of sweetened water through the hole. (page 15)

New Issues

BUSINESS borrowed more capital in January than in any recent month, but most of it went for refunding and refinancing rather than for construction and expansion. (page 24)

Aluminum

EUROPE has an aluminum cartel but a row in Germany imperils its renewal. (page 30)

Department Stores

DRY goods retailers agree in national conference that better net profits, not a mad chase for volume, must be their strategy, and they discuss ways and means. (page 10)

Dime Dead-Line

WHEN evaporated milk retails above 10¢ sales fall off. Producers plan a smaller can, that can always stay below the line. (page 10)

FIRE

is threatening your home and your business

★ Before you lay down this magazine, fire will snuff out the life of some loved one—some person who at this minute is just as much alive as you. In that same hour forty homes will go up in flames—homes that never dreamed of such danger.

Within 60 minutes two or three American business men will lose their buildings and equipment in fire. Yet they would laugh at you if you warned them now. How can you feel so sure that you or yours will not be the next victim?

That school room in which your children spent the day! How safe is it? That stairway up which they romped to bed! How long would it provide a sure escape from fire? That ceiling over the furnace! What if it got overheated?

That place in your office where your vital business records and books are stored! Could you prove your losses and collect your insurance after fire had done its work? That storage room with blue prints, patterns, and dies piled on old fashioned shelving! Where would your business be if fire should find that spot? There is one way—a simple way—

to rid your mind forever of such harrassing doubts. That is to *Save fire loss with Steel.*

Steel lath, properly plastered, under all stairways and over heating plants will hold in check at least one hour any fire that starts at these danger spots. Steel record safes have saved the books and records of many a firm that otherwise would have gone down to bankruptcy.

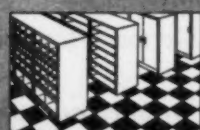
Steel shelving, bins and lockers provide safer storage at those places where fire so often starts. This is only a beginning of the fire losses you can save by use of steel. Steel roofs, steel doors, steel partitions, steel stairways, steel filing cabinets, steel desks throw barriers across the path of fire. Steel cannot burn. Steel cannot start a fire or feed the flames.

Wherever fire threatens you there is a way to thwart it with steel. Why not begin now to protect your home, your loved ones, your business? *Save fire loss with Steel.* Trade Research Division, National Association of Flat Rolled Steel Manufacturers, 511 Terminal Tower, Cleveland, Ohio.

★ Compiled from data of Natl. Fire Protection Assn.

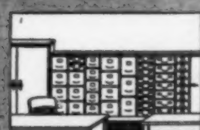
Save FIRE LOSS with Steel

Steel doors, stairways, partitions and trim cannot burn. They stop fire—saving lives and property.

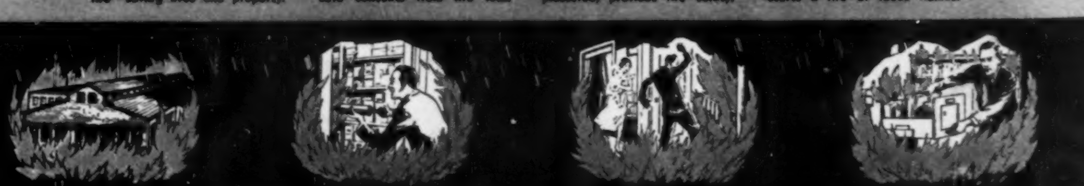


Steel shelving, display fixtures and bins protect merchandise—save contents from fire loss.

The Underwriters' Laboratories' tests prove steel lath, properly plastered, provides fire safety.



Steel desks, files and safes save valuable records. Steel never starts a fire or feeds flames.



There are over 5,000 different steel products—saving life, fire loss, drudgery, health, upkeep, depreciation, money, dirt, weight, space or time. Make use of these savings. Buy it in STEEL.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending February 14, 1931

Railroad Men Not All Sure Mergers Will Be So Helpful

Skeptics Are Quiet, But Numerous; Green Report to Couzens Voices Their Thoughts

MANY railroad executives are deeply skeptical of the benefits of consolidations. They will not talk for publication, but "in the family," they are free with their doubts.

One outstanding authority goes so far as to say that those who know least about railroads are keenest for mergers; those who know most are coolest.

Daniel Willard, president of the Baltimore & Ohio, one of the executives who signed the Eastern agreement, has himself warned against overestimating the benefits of rail mergers; has stated that a small railway can be as efficiently administered as a large one. Other railroad men add that no economies through centralized purchasing, increased buying power, elimination of many divisions of freight rates, and reductions in staff could be so great as to make possible any substantial reductions in freight and passenger rates—usually advanced as prime motives in consolidations.

An Adverse Report

The attitude of the skeptics finds public expression in the report to the Senate Interstate Commerce Committee by William C. Green, its chief counsel, on the Eastern consolidation plan. Senator Couzens, chairman of the committee and author of the resolution to halt rail mergers pending regulation of holding companies, is one of those who see no great benefits to flow from the consolidations Congress was so keen about once upon a time.

After stating that "there exists no reasonable evidence that the weak railroad problem will be solved by a policy of consolidation," the Green report advances the following as among the reasons why the proposed Eastern merger would not accomplish its purpose:

The greatest benefits will accrue to lines already strong which are seeking largely to acquire other strong lines and build up their systems, rather than to take in weak lines. Such a program may tend further to weaken weak lines through closing of through routes and withdrawal of traffic.

Labor will probably suffer.

The limitation of open gateways and the possible closing of through routes after consolidations may deprive shippers of the benefits of competition in service.

The Anti-Trust Laws

There is no objection to unifications such as were effected prior to passage of the Transportation Act (1920), subject to the anti-trust laws and with no substantial reduction of competition or substantial closing of routes and channels of trade as results of such unifications.

There is considerable opposition to consolidations which violate anti-trust acts, raising a question as to whether the exemption of consolidations from the application of the anti-trust laws should be continued.

If consolidation legislation is to be continued, provision should be made for protection of employees and for regulation of holding companies.

Railroads Want to Run Ships Again; Battle Due

A BATTLE between the railroads and the coastal and intercoastal steamship lines is impending. All the resources of both groups, augmented by allies in Washington, will fight out whether railroads may again own and operate water lines serving United States ports. Led by the Pennsylvania, the rail carriers will campaign for repeal of that section of the Panama Canal Act which bars them from domestic waters except in 3 instances; the Southern Pacific's ownership of the Morgan Line, operation of the New England Steamship Co. by the

Keystone

REPRESENTING THE VAN SWERINGENS

William H. Boyd (left), general counsel, and R. S. Marshall, vice-president of the Chesapeake & Ohio, as they arrived in Providence to confer on the Van Sweringens' hopes in New England

New York, New Haven & Hartford, and of the Ocean Steamship Co. of Savannah by the Illinois Central.

Ship lines, foreseeing virtual extinction if the railroads are allowed to enter the business, are agreeing to stand together in the fight, and in "conference groups" to arrive at a settlement of their own rate dissensions.

Turn to Great Lakes

The railroads also want to run boats on the Great Lakes (especially the Van Sweringens). They say that while it may not have worked so well before, conditions have changed sufficiently to insure profits.

Simultaneously, the Southern Pacific is trying to obtain "Fourth Section relief" in order that its water-rail route to the Pacific Coast (Morgan Line–Sunset Route) may offer lower rates to coastal points than are charged at interior destinations. The prize at stake is a substantial part of the 10 million tons of intercoastal water traffic now moving through the Panama Canal. Eliminating eastbound oil, there is 7 million tons of cargo (60% eastbound) annually, a prize worth $100 millions to transcontinental railroads on the nominal estimate of $15 a ton revenue if moved by rail.

The attitude of the shipping men was set forth for *The Business Week* by Frank Lyon, Washington counsel for intercoastal lines, who said: "The interest of the independent steamship companies is diametrically opposed to either railroad or industry operation of steamships. An independent steamship company can no more meet the competition of a railroad or industry-owned steamship than could an independent mail service meet the competition of the United States."

The Pittman Bill

Intercoastal steamship interests are, therefore, in favor of the Pittman Bill, the purpose of which is to take from the Interstate Commerce Commission the authority it now holds to grant railroads the right to charge less for a longer than for a shorter distance. The railroads, on the other hand, seek to have such authority extended in order that they may meet water competition by offering low rates to coastal points while maintaining the present (and higher) rates at interior points which do not and cannot benefit by the lower rates of the water lines. The Southern Pacific's petition in this direction is regarded as a test case. If the I.C.C. rules in favor of the railroad, additional petitions by other roads are certain to follow.

Efforts to have Panama Canal rates regulated by the Shipping Board or the I.C.C. are a third angle in the rail-water controversy. The effect of this, according to Mr. Lyon, would be to "eliminate the small, independent company and consolidate coastal and intercoastal transportation in the hands of a few dominating companies."

H. B. Walker, president of the American Steamship Owners' Association, also objects to I.C.C. regulation of water rates, holding that the commission has always been partial to rail interests.

"It is evident," he said, "that the basic purpose is to force by government order a parity in rail and coast-wise water rates, especially through the Panama Canal, so that the railroads can take the business from the water carriers. This can be accomplished by one of two ways, an increase in the water rates or a decrease in the rail rates. The object sought is the same regardless of method."

International News

BROTHER SHIP

The "President Coolidge," second of the two largest ships built in this country, gets ready to join the "President Hoover" on the Dollar Line. Feb. 21 is the date set for the launching

Canadian Politics Favor St. Lawrence Waterway

OTTAWA (*Special Correspondence*)—If, as a result of Premier Bennett's visit to Washington, President Hoover has the reported assurance of early Canadian cooperation on the St. Lawrence lakes-to-sea canal, he can thank Canadian politics as much as the economic and diplomatic arguments of Colonel MacNider, his minister to the Dominion.

Previous premiers have been able to give no such assurance. The Western provinces, like our Western grain-shipping states, have been enthusiastic enough. The Eastern ones have been suspicious of the proposed American partnership in their great river. Montreal has been disturbed over the prospective loss of its trans-shipping business.

Prospects for the waterway undoubtedly have improved under the new Canadian government. The traditional outlook of the Conservative party in regard to relations with the United States, especially as it is exemplified in tariff policy, tends to produce a psychological influence on Canadian sentiment in the matter. Conservative leaders always have been able to persuade the public that they would be "on guard" in dealings with Uncle Sam, that they recognized the necessity for alertness for the protection of Canadian interests. The effect of this is to inspire public confidence in the Bennett administration's prospective handling of the waterway matter.

In a more direct manner also, ministerial policies are affecting public opinion. Restoration of prosperity to Canadian agriculture is universally recognized as the outstanding national necessity. The Prime Minister has declared it to be his first concern after that of protection of the home market, and he has rated cheaper transportation for farm produce as one of the surest means of achieving the end. He will have public opinion behind him in any reasonable measures he may take in that connection. In this situation, the prospect of through navigation from the head of the lakes to the ocean has more allure for Canadians than it has held hitherto.

Still another factor is simplified under Conservative administration. Constitutional issues between the dominion and the provinces as to their respective rights in the St. Lawrence, more especially in relation to power, have delayed international negotiations. The governmental party's traditional championship of provincial rights should make easier a settlement of these issues.

Chevrolet Passes Ford in Sales But Probably the Race Isn't Over

Detroit Expects Mr. Ford to Do Something About It—He Usually Does—Already Has

CHEVROLET sales in December were greater than Ford's; early returns indicate that January may show the same result. This is the first time it has happened since Model A got into full production. Chevrolet's early introduction of new models gave it an edge of which it is taking full advantage. It has built 180,000 new cars. Though there are 12 models in the new line, dealers have, on the average, only 6 or 7 cars in stock.

Ford produced in January about 70,000 vehicles compared with 99,000 a year ago. His February schedule is estimated at 80,000, compared with 148,000 last year. The gap between 1931 and 1930 performance seems to be getting wider. The industry, of course, expects him to do something about it. Last week he made a start when he increased dealer discounts to a flat 22% from a sliding scale ranging from 17% to 21%.

The old discount scale (*The Business Week*, May 7, 1930) penalized small dealers, gave largest discounts to largest sales outlets. The new scale puts all on an equal basis, gives the smallest dealer some $22 more to play with in the sale of the largest selling models, the Tudor and standard coupé. By this reduction Ford assumes nearly all the cost of his recent price cuts and this fact immediately raised well-substantiated rumors in Detroit that he contemplates another and drastic price cut on Model A which will fix it more firmly in the lowest priced group.

New Designs Coming?

This is not expected to end his efforts. There is widespread opinion that new body designs are coming. The new Victoria model, introduced a few months ago, has met very favorable reception. Detroit thinks the entire line will work toward this general style; that such a change would have been made earlier had not Ford sales fallen off sharply late in 1930 and left too many unsold cars in dealers' hands.

Edsel Ford has said twice recently that the company expected to produce 30 million Model A cars and trucks, emphasizing the fact that Ford does not go in for annual model changes but retains the same general design for years. But, in terms used by most other makers, the current Model A is several times removed from the original. Many observers believe Ford recognizes the importance of style which may lead him even to annual changes although the new designs may not be designated new models.

For a long time, Ford has been using his tremendous purchasing power to buy materials, such as steel, for the builders supplying him with bodies. He believed he could buy cheaper than they. This policy is being abandoned, at least temporarily. Body companies are now starting to buy direct and think they can do better with direct control of their purchases.

Among other automotive companies, Auburn has made a most surprising showing during recent weeks. Its 1931 line, offering such modern improvements as free-wheeling and silent gearing at low prices, has apparently been unusually well-received. February production, originally set at 2,000 cars, has been doubled; the plant at Auburn (Ind.) is being equipped to produce an additional 2,000 cars beginning March 15. Reputedly backed by William Wrigley, Jr., of chewing gum and Chicago Cubs fame, Auburn finds itself in an unusually strong competitive position.

The Chrysler February output schedule —16,000 cars—is the largest in months. The Chrysler 6 is the best seller with the Imperial also doing well. Disappointing sales of Plymouth—an unusually good car at a very low price—are expected to be accelerated by an extensive advertising and merchandising

Commercial & Photo View

ANOTHER FORD TIDEWATER PLANT

All the new Ford assembly plants are located to take full advantage of water transport for materials and parts. This one (right foreground) at Richmond, California, is nearing completion. It has a daily capacity of 400 cars and is the second of 3 on the Pacific coast. The first, at Long Beach, is about the same size; the third, at Seattle, is under construction, will turn out 300 daily

campaign. Buick is the first among those who usually bring out new models early in the year, to announce it will adhere to the recommendations of the National Automobile Chamber of Commerce and wait until November or December for its presentations.

Structural Steel Stronger For Bethlehem Move

PURCHASE of McClintic-Marshall, the country's largest independent steel fabricator—8 plants, 4 in the Pittsburgh district—gives Bethlehem Steel Corp. for the first time a set-up comparable with U. S. Steel whereby it can actually compete on fabricating jobs. But, rather than "upsetting the apple-cart," this move will tend to stabilize the industry.

Commenting on the structural steel situation, Mr. Farrell, president of U. S. Steel, said at the last Iron & Steel Institute meeting: "Large bridges are all pretty much alike; I don't believe there is a difference of 50¢ in the per ton cost of building a bridge. And yet what happens? Bids are opened and the lower bidder is $8 a ton under other concerns whose costs are practically alike. Then the producer of the plain material is supposed to come to the rescue, sometimes out of sympathy and sometimes with the idea that he is getting something that somebody else might have got."

It is believed that the Bethlehem–McClintic–Marshall deal will help to correct the abuses of which Mr. Farrell spoke. Bethlehem, as well as U. S. Steel, is seeking stabilization of the steel industry.

Bethlehem has long been a leader in structural steel, "Bethlehem shapes and beams" being a by-word in the industry. It has been particularly astute in cooperating with independent fabricators in all parts of the country, supplying the plain material from which the structural steel is made. It has gone along, practically from the start, with the American Institute of Steel Construction, Inc., in its attempt to bring back to steel the tonnage which had been lost to other construction materials.

The Mellon family of Pittsburgh is reputed to have controlled McClintic-Marshall as well as to be the owner of large blocks of stocks in other companies in the steel industry. There is speculation as to whether the new deal is to be the signal for the retirement of the family from the industry or whether it was unrelated to other Mellon plans.

Danville Peace Forecasts Change in Union Strategy

As cautiously predicted here some time ago (Dec. 10) the strike of workers at Riverside & Dan River Cotton Mills in Danville, Va., has ended with what looks like a complete defeat for the union forces. At least, strikers are applying for work and are being accepted on terms which are in no particular different from those under which the mills have been operating since long before the strike began.

In his statement announcing the vote to end the strike, Francis J. Gorman, vice-president of the United Textile Workers, said that the strike was called because union members were being discriminated against in the mills; that it has been ended because old employees are being taken back to work without regard to their union affiliations. Reports from other sources indicate, however, that the mill management has never discriminated against individual union members; has only refused to recognize or deal with the union as an organization—which appears to be exactly its present attitude.

Most well-informed observers believe the main issue involved in the strike was union recognition; this has been abandoned by the union. The failure to win this point is expected to have considerable influence upon future union organizing activities in the South, particularly may temper the aggressive type of attack attempted at Danville.

Natural Gas Sees Plenty Of Room for Expansion

THE natural gas industry taken as a whole shows a healthy condition, a survey of representative companies reveals. Although a majority of the concerns will not issue financial statements until next month, it is understood that several of the large enterprises have enjoyed actual increases in earnings for 1930 over 1929. While a few of the smaller concerns will undoubtedly show declines, they are thought to have earned their fixed charges by comfortable margins.

Authorities believe that the immediate future will see: (1) further consolidations and physical interconnections of existing pipe-line systems until many of the major gas fields will be available to a large percentage of the natural gas markets; (2) increased

International News

THE LAST STONE

Charles Hayden, chairman of the board of the Waldorf-Astoria Co., sets the last stone of the new hotel on the forty-third story

mixing of natural with manufactured and coke oven gas; (3) communities too small to support manufactured gas plants supplied by a network of small pipe lines covering entire states and fed from trunk lines.

The only states in which natural gas is not now distributed are: Oregon, Nevada, Vermont, Minnesota, Wisconsin, New Jersey, Florida, Virginia, Maine, North and South Carolina, Massachusetts, Connecticut, Delaware, New Hampshire, and Rhode Island. This year will see natural gas in 5 of these states if present plans are carried out on schedule.

Additional light is thrown on the production cost of natural gas by W. G. Von Gemmingen, consulting engineer of New York, writing in *Engineering News-Record.* "In general," says Mr. Von Gemmingen, "gas is produced in the Appalachian fields at a cost of from 5¢ to 15¢ per 1,000 cu.ft.; in Louisiana for 2½¢ to 3¢; in Laredo and the Gulf Coast of Texas for 2½¢ to 3¢; and in the Amarillo field for 2¢ or less.

"Drilling of average wells in the Appalachian fields costs from $8,000 to $15,000; in the Laredo district, $12,000; in western Oklahoma, from $50,000 to $75,000; and from $18,000 to $20,000 in the Amarillo field."

Keystone

RESEARCHER

Charles F. Kettering, head of General Motors Research, takes time off from Frigidaires and automobiles to enjoy himself at Miami Beach

Self-Preservation Dictates Inter-Industry Cooperation

THE problems of wholesale marketing and of retail merchandising respectively are going under the microscope in two separate and distinct laboratories, under the sponsorship of two different national groups. Need for simplified and more efficient distribution is so urgent, so general in all industries, that old lines of demarcation are ignored, and widely assorted groups are joining in the two cooperative efforts.

National associations of wholesalers of dry goods, of electrical supplies, of groceries, and of coffee, are going to find out what particular changes in habits, transportation, business conditions, have affected the fortunes of wholesalers.

The Policy Holders Service Bureau of Metropolitan Life Insurance Co. conducts the study; each group supplies a cooperating committee; results will be tabulated separately. Facts thus determined and trends established then are to guide establishing future policies, which are expected to strengthen the position of wholesalers as an economic necessity in these industries.

3 Associations Join

Similarly the field of retailing of electrical appliances is to be surveyed in the hope that through such effort a plan may be developed that will provide wider, more efficient and effective distribution. Here three most powerful associations sponsor the activity through a joint committee.

The National Electric Light Association, its members doing 29% of the country's retail appliance volume, is anxious to know whether the much varying policies of the utility companies, particularly regarding selling prices, discounts, terms of payment, are affecting adversely the selling effort of other retailers, in behalf of electrical goods.

A 50-50 Basis

Members of the National Retail Dry Goods Association, underwriting the expenses of the work with N.E.L.A. on a 50-50 basis, feel that department stores should be able to do a better sales and merchandising job (although they constitute already the third largest group of outlets, doing 13% of total electrical appliance volume). They hope that facts developed by the survey will make possible improved methods to obtain wider use and distribution.

Representing outlets through which 9% of total volume is sold, the National Retail Hardware Association is cooperating to fortify, if possible, its position as an important sales factor. Hardware men consider all electrical appliances as merely electrified hardware. They feel that, having sold the ordinary washtubs, carpet sweepers, percolators, sad irons for a century, they are the logical outlet for the electrified products.

Although accounting for volume of retail sales (9%), equal to that of the hardware dealer, the electrical contractor-dealers have not been invited to the party. Dry goods and hardware men believe that any branch of the electrical industry must inevitably array itself on the side of the utility companies, think they would lose balance of power to have electrical dealers join.

Similarly, electrical specialty dealers and retailing manufacturers are not asked in, although they do 37% of total appliance volume.

However, all retailers of this line of merchandise are expecting to benefit if competition from department stores and the retail departments of utilities is placed on a basis that will enable independent small retailers, hardware dealers, plumbers, to compete on approachably equal terms.

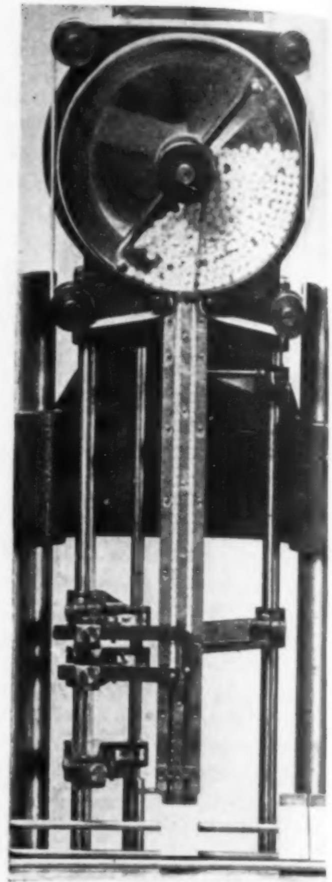
Legal Curbs

The dominating and preferred position of utilities in this field is regarded as dangerous by some legislators. A law in effect Jan. 1 compels utilities in Wisconsin to maintain a separate accounting system, so as to enable intelligent adjustment of rates, prevent possibilities of having losses caused by merchandising activities absorbed in the rates charged the public for gas and electricity.

In the states of Kansas and Missouri, bills are being prepared making it unlawful for utilities to do any merchandising, with local clubs and retail

merchants associations intent on pushing through such legislation.

Total sales of electrical appliances for 1930 according to *Electrical Merchandising* were $789 millions, a decline of $73 millions from previous (1929) high. They are expected to show substantial gain for 1931 due to increased popularity of refrigerators, clocks, oil burners, ranges.



PILL PACKAGER

Long made by machine, tablets have been hand-packaged. This new machine counts and packs any number, size, and shape. Here, its suction-fingers put up 60 tablets in a slide carton

Better Net, Not Mere Volume, Is New Strategy of Big Stores

THE National Retail Dry Goods Association just closed its 20th annual convention. Public buying trends, style influences, shopping habits, shifts of population, all were thoroughly analyzed to "build sound judgment from 1930 experience."

It was conceded that the time of easy sales, large profits, has definitely passed. Average 1930 prices as compared with 1929 were found 20.45% lower. Stock turnover, one of the important yardsticks of profit in retailing, dropped from 4.2% in 1929 to 3.6% in 1930, a serious reduction.

Rent Should Be 5%

Analysis of expense items was urged, to uncover ways of saving money. Maximum rent should be 5% of total sales although chain department stores are reported paying up to 9%.

It was considered that little need exists to enlarge department stores to take care of further growth but that the times demanded better use of space already available. Some stores were reported using slightly above 50% of their space for actual selling purposes. Through more efficient management, closer stock control, more intelligent and more frequent buying, the sales per square foot must be raised far above present average to operate at a profit.

Study of Lines Urged

Specific lines of merchandise should be studied to determine proportion between profits earned and space occupied. Unprofitable lines should be discontinued and low profit lines in which chain 5¢–10¢–25¢–$1 stores compete should be cut to a minimum.

The warning was issued that aside from a possible slight increase of prices during 1930, the trend of prices would be downward for 10 years to come, and that department stores would have to face a steady increase in the number of transactions against a decrease in the average value per sale.

Decentralization of population, the increasing trend toward suburban living, might seriously affect existing real estate and rent values, result in gradual decline of sales volume in congested centers and increase popularity of suburban branch stores.

Recognizing the folly of chasing sales volume, greater effort should be made to produce profits, average net profits having declined steadily, dropped 50%, from 2.2 in 1927 to 1.1 in 1929.

Service luxuries are to come in for a severe trimming. Sales personnel will be educated to do a more efficient job. The use of special sales persons, demonstrators, models, will be reduced to a minimum and the annual sales per employee substantially increased.

One important Eastern store that succeeded during 1930 in trimming its operations down to an efficiency basis reported better than average profit, although dollar volume was 19% less, while 27% more transactions were handled and rent and tax charges were up 16% over 1929.

Cut Size of Can To Stabilize Market

PRODUCERS of evaporated milk have long looked for a method to prevent the price fluctuations in the raw milk market from being reflected in the price of canned milk.

They believe that cutting the size of the standard can from 16 oz. capacity to 14½ oz. will enable them to maintain a more stable price and indirectly a more stable market.

Retail prices for the 16 oz. size have varied, averaging 10¢ when raw milk was reasonably cheap, up to 12¢. Sales resistance has increased, consumption decreased, as the price rose above 10¢.

Cutting the size of the can by approximately 10% makes possible maintaining the retail price not to exceed 10¢, with reasonable profit to the retailer, while when the raw product is unusually cheap a retail price of 3 cans for 25¢ will be possible.

Chain stores object strenuously. They maintain that larger size cans are now in the hands of independent wholesale and retail grocers in large quantities and will be offered by them at retail for a considerable period. Chain systems, with their greater rate of turnover, will be forced to sell the smaller size cans far in advance of independent outlets.

They feel they will have to bear the brunt of unfavorable reaction on the part of the public already quick to accuse them of under-size containers.

The larger chain systems that pack their own evaporated milk are expected to follow the lead of the independent producers in reducing size of can, but not until after the public has grown accustomed to the smaller size can.

Meanwhile consumption of evaporated milk shows a steady increase. Domestic output in 1926 was 23,700,000 cases; in 1930 28,847,000 cases.

In Germany, Too, the "5 and 10" Is Making Sales Records

While Other Stores Dropped Back, Woolworth And 3 German Chains Went Ahead 58% in 1930

EUROPEAN NEWS BUREAU—The ubiquitous "5 and 10" has met with enthusiastic support in Germany in the 4 years since the American Woolworth Co. pioneered in the German market.

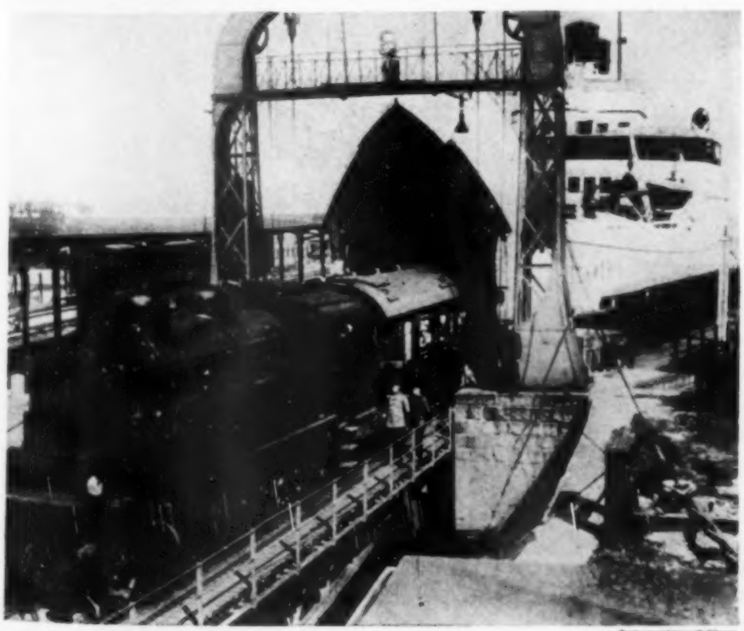
The yearend checkup proves the success of one-price chains. While independent retailers, department, and cooperative stores all suffered from a decline in their sales in 1930, 4 of the leading chain stores increased sales 58%. Woolworth was in the group.

The Berlin Institute of Trade Research tabulates their growth:

	Number of Stores		Total Sales (in million dollars)	
	1927	1930	1927	1930
"Ehape" A.-G..	39	117	4.3	15
"Epa" A.-G. ...	7	55	3.0	24
Woolworth (American) ..	9	65	0.5	10
Wohlwert G.m.b.H. ...	10	51	1.0	6
	—	—	—	—
	65	288	8.8	55

Managers point out that in the 4 years since the opening of the first chain store, the volume of business transacted by the one-price chains had reached about one-half the volume which it took German department stores 30 years to develop. Turnover now is about one-seventh that of Germany's highly developed cooperative stores system.

Of the 3 German chain store leaders, 2 are subsidiaries of big department stores: "Ehape"—Aktiengesellschaft fuer Einheitspreise—of Leonhard Tietz in Cologne; "Epa"—Einheitspreis Aktiengesellschaft—of the famous Karstadt, in Hamburg. The chain subsidiaries have the benefit of centralized buying through the purchasing departments of these parent stores. Lately their growth has been so rapid that the need for a more independent organization has been increasingly felt. The Karstadt concern decided to raise the capital of the "Epa" from a nominal $250,000 to $7 millions so that its one-price subsidiary might operate more freely.



International News

TRAIN BOAT

Germany's huge ferry, "Schwerin," swallows a train whole through a gigantic maw in the bow. Transfer of passengers, baggage, and freight is thus avoided

Uniform sales prices are 25 and 50 pfennigs, corresponding to the American 5¢ and 10¢. Only the "Epa" stores sell some goods at the higher price of 1 mark (25¢).

While American chain stores often carry up to 10,000 different articles, the German stores as a rule concentrate upon a smaller number. The "Epa" (Karstadt) stores carry 4,000, the "Ehape" (Tietz) 2,500, and the Woolworth Co. 1,500 articles. Some of the stores concentrate upon certain groups of commodities. In the Epa stores 30%, and in Woolworth stores 25% to 30%, of all goods sold are textiles. Foodstuffs run a good second in all, account for 40% of Ehape's sales.

It is estimated that, owing to the volume and regularity of repeat orders, one-price stores are able to buy through their central purchasing offices 25% to 30% cheaper than their competitors. Job lots from distressed manufacturers and merchants have been particularly profitable during the depression.

Turnover Good

German chains turn over their merchandise from 8 to 10 times a year against 6 times in department stores. This compares favorably with standards in America where in 1929, F. W. Woolworth turned over stocks 7.8, Kresge 8.4, McCrory 6.5, and Neissner Bros. 6.7 times. Certain kinds of goods, in particular foodstuffs, are turned over as many as 50 times in the year; confectionery 24 times, as compared with 6½ times in independent confectionery shops.

The gross profits in percentage of sales prices oscillate between 25% and 42% and differ only little from gross profits in American 5-10¢ stores.

Operating costs for Ehape and Epa were 23% and 19.2%, respectively (in per cent of turnover 1929/30). Cost of operation of the American chain is said to be 24%.

Remarkable as has been the growth of one-price stores in Germany in recent years, the "saturation point" is not yet in sight. In the cities in which they are located they did a business of $2 per capita in 1929, of $3 in 1930. This compares with a figure of $8.50 per capita for 11 large cities in the United States. If the difference in the average incomes is considered, the German stores are not very far below. Medium-sized cities (200,000 to 1,000,000 population) have so far presented the main field of chain stores' activities. The average number of persons per store was 90,000.

For a Healthy Turnover in 1931 Business Operates on Inventory

Big Distributors Have Used the Knife Mercilessly With Mail Order Houses Making the Deepest Cuts

THAT business executives have acted to ward off threatened business apoplexy or acute indigestion caused by overstocks, have trimmed down investments in inventories to fit the 1931 pattern of swiftly moving, hard-hitting, alert, and resourceful competition, is indicated by available annual statements of important corporations.

Decision to make 1930 carry the burden of drastic write-offs, inventory shrinkage, and depreciation, was apparently dictated by: (1) a desire to get as much bad news as possible into a statement that is not expected to reflect much else; and, in direct contrast, (2) a well-planned, thoroughly organized effort to put valuations of all physical equipment and merchandise stock on a fighting basis in the belief that, if properly balanced and attuned to the new, faster tempo, a flexible, rapid-turnover stock will be a great aid in producing profits.

Mail Order Stocks Down

Mail order houses record unprecedented reductions; Montgomery Ward & Co.'s investment in inventories is reduced 23.4% from $67 millions at end of 1929 to $51 millions at end of 1930, the latter being even $8 millions or 10.6% lower than 1928 stock on hand. Translated into turnover, the merchant's measure of profit-earning opportunities, this means that, even if Ward's sales in 1931 only equalled 1930 dollar totals, its rate of stock turnover to sales would be increased from 3¾ times to nearly 5 times.

Sears, Roebuck & Co.'s inventories are 23% below 1929 and 10.6% under 1928 totals, reflecting conditions similar to those of Ward's. Considering the substantially greater volume of sales by Sears, this should forecast greatly improved performance.

Largest percentage total of inventory losses is recorded by National Bellas Hess, where stocks are down 48.1%, mostly represented by obsolete, outstyled, antiquated merchandise that was taken over during 1928-29 when the company acquired its string of 57 stores, 7 of which have since been closed.

Significant is the inventory shrinkage shown by F. W. Woolworth & Co., 16.1%, while individual stores show average reduction of inventories of $4000 or 18.6%. The 1929 average stock per store was $21,817 while 1930 shows but $17,758. Average sales per store dropped only 7.8% under 1929, showing $153,000 per store in 1930 against $166,000 in 1929.

Butler Bros., wholesale mail order house, operating also 2 chains of retail stores, records a 17.1% inventory reduction, representing more than average difference in replacement cost, indicating that in actual tonnage its stock will run lower than a year ago.

Lerner Stores Corp. shows a 38.7% increase in total inventories, partly due to a 25% gain in number of stores. Inventory per store runs 12.3% higher. This showing appears justified by the company's proportionately larger sales per store during 1930.

Jewel Tea Co.'s total inventory was reduced $354,000 or 22.1% during 1930. However, this is $1317 a store for the 1215 units operated at the end of 1929 against only $973 for each of 1280 units at end of 1930, a reduction of over 25% per unit. Sales dropped only $1700 per unit or 12%, indicating that productivity per unit was not adversely affected.

Daniel Reeves, Inc., records a similar performance. Total inventory decreased 14.1%, 37 new stores were opened. Inventory for the 735 stores operating end of 1930 averaged $3414 per store, actually 18% less than at the end of 1929, but sales per store dropped only 2%.

Manufacturers Have Cut

Important manufacturers also have recognized the need for reduction in inventory investment, some being forced to write off large sums, due to decidedly lower costs of raw materials. General Baking Co.'s 1930 inventory is 30.9% below 1929 and 21.1% under 1928. Ward Baking Co. 1930 figures are 32.8% under 1929 and 40.6% under 1928. Endicott Johnson Corp., shoe manufacturers, show a 1930 inventory 26.7% below 1929. National Cash Register Co. had 23.7% less invested in inventory than a year ago.

The Business Week

PACKAGED COAL

For the small-quantity trade, the Colorado Fuel and Iron Co. devised this "scuttle-box." It holds 60 lbs., is sold by the ton to regular coal dealers, who are urged to farm it out through grocery stores, filling stations, and small merchants

Wide World

RUSSIA BECOMES TIME-MINDED

The Soviets bought the Dueber-Hampden Watch Co., of Canton, Ohio, and moved it lock and key to Moscow. Charles Hammer (wearing cap) went along to instruct Soviet workers in the transplanted factory

Barred at Ports, Soviet Lumber May Get In Through the Courts

THE United States has declared its second embargo on Soviet imports. Lumber and pulpwood are the items "black-balled" this week. Soviet matches were embargoed a year ago.

The move is not unexpected. Labor and lumber interests have been most aggressive in their campaign against Soviet imports. The embargo was delayed because of the difficulty of producing evidence, without diplomatic representation in Russia, that the lumber or pulp was produced by forced labor. Secretary Mellon's statement Tuesday merely declares that the Treasury Department has evidence that convict labor is employed in certain lumber areas in Northern Russia, that therefore, imports from those areas will be barred.

Lumber Ports Now Closed

From New York sources it is known that 3 shipments of Soviet lumber have been received since Jan. 1, one at Providence, 2 at Newark. This limited number is due to the fact that Russia's largest lumber ports are ice-bound during the winter. These shipments came from Leningrad. When spring opens the northern ports, one shipment of lumber or pulpwood is likely to be brought into the country to make a test case.

Business reaction to the move is one of interest rather than of either antagonism or satisfaction. With an amendment to the Tariff Act, which would advance to April 1 the enforcement of the section relating to the import of products of forced labor already passed by the House Ways and Means Committee, the embargo problem on other Russian imports will again come to the fore in Congressional discussions.

That is not all. Business men who have something at stake in the new embargo are expected to enter an appeal assailing the authority of the Treasury Department to require importers to prove the use of free labor. Interests particularly opposed to the proposed embargo on coal and manganese are likely to cooperate. Pennsylvania anthracite producers and the American Manganese Producers Association, however, will continue to urge exclusion of Soviet cargoes.

The Treasury has some support from precedent in thrusting upon the importers the burden of proof that goods are not of convict labor origin. In customs law, when the government raises a bar to importation in the assessment of a higher rate of duty than that under which the goods are entered by the importer, the presumption is in favor of the government and it devolves on the importer to prove that the assessment is erroneous.

Not all arguments favor the Treasury. So far as is known, no definition of convict labor has been accepted. Legal advisers claim that, with no evidence to the contrary, customs officials are forced to accept the affidavits of the producers, sellers and importers that their Russian goods are not products of convict labor.

Bills Settle Nothing

The Kendall, Steiwer, and other bills proposed in Congress do not help the Treasury out of this predicament because in declaring an embargo on "all goods, wares, articles and merchandise, mined, produced, transported, handled, loaded or manufactured wholly or in part by convict labor and/or forced labor and/or indentured labor under penal sanctions," it is left to the Secretary of the Treasury to prescribe the necessary regulations for enforcement of the embargo.

All this resolves itself into what Russian products certain powerful and sometimes conflicting industrial interests in this country want to bring in and what they want to keep out. It is a difficult task to frame law and regulations that are flexible enough to meet these demands. The steel industry is assured of its manganese. The lumber industry has won an initial victory over the paper manufacturers and publishers on pulpwood, but they may be frustrated by importation of lumber from the southern Baltic and Black Sea regions, which are not embraced in the area "quarantined" by the Treasury Department.

Will Bring Issue to Head

The issue is in no way settled by the Treasury Department's embargo on lumber and pulp, or by the probable advancement of the date of enforcement of the "products of convict labor" clause of the new Tariff Act. The combined moves may bring the issue to a head this spring which is what is desired by both sides to the fight.

Bonney

FASHION COP

The French "Fashion Police" wage constant war against style pirates and design thieves. Here, M. Duchemin, the man who makes the seizures, looks over some of the counterfeit paintings and fabrics. Style piracy is particularly flagrant in fabrics, hats, dresses; one manufacturer had to pay 10,000 francs each, 360,000 francs in all, for "copying" a dress

Germany Cites Unrest to Prove Need of Young Plan Revision

EUROPEAN NEWS BUREAU—German political unrest has broken loose again and the most courageous policy which the Bruening government can advance may not succeed in meeting the demands of the radical parties.

Immediate cause of the latest outburst is the Reichstag's decision to reform the House rules and curtail obstructionism. Hitler's Fascist followers and the German Nationalists left the hall in a huff. How long they will stay out is a question. Certainly their move has not weakened the prestige of the Bruening cabinet, which had already declared itself unwilling to guide legislation solely with the backing of Presidential decree.

Despite the improved outward tone in German business of late, far-sighted opinion among Germany's own industrial leaders has been less sanguine. Discussions with various leaders over the last few months disclose that they are inclined to emphasize the growing realization abroad, especially among economists, that basically German economy is unsound so long as the problem of reparations remains unsolved. The sonner this realization becomes general, the sooner, according to German opinion, will a solution of the world's depression be found.

Not a few fears have all along prevailed that, before this realization can become general abroad, and before the task of sensible and moderate Germans can be lightened, the need and privation in Germany will become more acute than they were late in 1930. And if the radical elements of either the Right or the Left parties gain political control, a sensible solution of all these questions will either be made impossible, or will be deferred. What would then be the consequences for Germany and for the rest of Europe is seldom hazarded.

This week's display in the Reichstag is a warning to business of the truth of this belief. The present move may not be the one to prove the case. Nevertheless, responsible sentiment in Germany is extremely pessimistic with respect to the future. The withdrawal of foreign credits at the yearend put German banks in a difficult position. Even the largest banks, such as the Danat and Dresdner, had difficulties. The East German relief program (principally farm relief) threatens to come to nothing. Such sacrifices as were entailed in the recent vertical increase of tariffs on grains and meats, which has seriously prejudiced German trade relations with such countries as Poland and Argentina, will have been undertaken in vain if radical elements hold sway.

Germany, so long as the Bruening cabinet survives, is likely to continue its policy of holding in abeyance its hope for Young Plan revision. The latest political rupture in Berlin may force the issue to the attention of harried business men outside Germany who sense the international significance of some early adjustment of the deep-seated questions of reparations.

Politics Still Govern French Lending Policy

EUROPEAN NEWS BUREAU (*Cable*)—French financial policy is being closely scrutinized this week due to France's recent loan extensions to Germany, Poland, Roumania, and Jugoslavia and a general agreement that France's lending policy is intensely important to the future of business. However, any considerable optimism seems unjustified.

When the French Senate enacted the colonial loan program authorizing successive issues of the long-contemplated government-guaranteed colonial loans, business men in France were particularly interested, for they realized that the $200 millions would come back to them in part at least, in orders for materials and equipment. Likewise, they would benefit from the contemplated loans to Poland, Roumania, and Jugoslavia—all political allies.

But when the French government finally consented to participation by French banks in an international consortium to grant to Germany a 1-year $32-million credit, the world looked on the move as a possible indication of a new and different policy of releasing pent-up capital. This conclusion appears unjustified. Banking opinion in Paris looks on the transaction as one wholly unofficial in character and inconclusive in kind because it is merely a short-term credit rather than a long-term bonded investment. Government consent to the loan was not necessary but was granted when requested.

Sugar and Water Mixture Pours Through Hole in Tariff Wall

Congress Set No Duty on Syrups Over 50% Water And the Oversight May Cost $98 Millions

BECAUSE no tariff tinkerer knew that it was commercially possible to ship raw sugar as a watery syrup testing less than 50% sucrose, the United States faces the loss of nearly one-fifth of its customs revenue. Unless Congress or the courts repair the damage, the $100 millions that raw sugar contributes annually to the $550 millions we collect on dutiable imports may dwindle to $2.2 millions.

Cargoes Rushed In

Under the 1930 tariff Cuban raw pays a duty of 2¢ a pound. Mixtures of sugar and water testing from 50% to 75% sucrose are dutiable at 1.7125¢ a pound plus 0.0375¢ for each additional per cent of sucrose. But the tariff says nothing about mixtures testing 50% and under.

Result is that several cargoes of such unheard-of mixtures reached Eastern ports from Cuba too quickly to be stopped by a Treasury decision making them dutiable at the same rate as mixtures testing 50% to 75% sucrose. Because sugar so diluted ferments quickly, particularly in warm temperatures, one tanker put into Philadelphia with its sugar foaming from the hatches. The process of converting its cargo into alcohol was completed at a waterfront distillery. Some prevented fermentation by using chlorine or other chemical agents. But several came in with their sugar in normal condition without chemical treatment. They left Cuba with dry sugar, added water at the 3-mile limit, rushed the mixture to the refinery's evaporators before fermentation could get a start. Importers named are the Pennsylvania Sugar Refining Co., Savannah Sugar Refining Co., National Sugar Refining Co., Refined Syrups, Inc., and Revere Sugar Refining Co., a subsidiary of United Fruit.

The Commissioner of Customs held that their watery shipments were "in essence" sugar and therefore dutiable at the 50% to 75% test rate. But an administrative change in tariff classification is not effective for 30 days after issuance, so these shipments entered at the sugar syrup rate of ¼¢ a gallon less the Cuban differential of 20%. Thus, they paid only $20,339 against the $727,000 that the government would have collected on the same cargoes landed as dry sugar—or 0.0384¢ a pound (at approximately 5 lbs. of 96° sugar to the gallon) against the 2¢ collectible on dry sugar.

Treasury Challenged

Even under the higher rate, there is an apparent differential in favor of the liquid sugar, but this is too narrow to cover the cost of evaporation and refining and disappears altogether on mixtures of low sugar content, on which the equivalent rate per pound of sugar rises above the regular raw sugar rate.

The Savannah Co. is challenging the Treasury's right to collect the 1.7125¢ rate or any rate but ¼¢ a gallon—unless the Treasury, refusing to call liquid sugar "sugar syrup," wants to treat it as "articles manufactured in whole or in part, not specially provided for," in which case it could collect 20% ad valorem. The U. S. Customs Court must decide on March 27 whether a mixture of raw sugar and water is entitled to the gallon rate as a syrup under the official tariff dictionary definition of sugar syrup as a direct product of the juice of cane or other sugar plants boiled to the desired consistency without removing any of the sugar.

But the prime issue before the court is the intent of Congress in levying a duty on mixtures of sugar and water testing between 50 and 75 degrees. This provision was apparently inserted to prevent comparatively small imports of mixtures of refined sugar and water, which, when boiled down, are sold as syrups, from escaping payment of a compensatory rate of duty. Importation of mixtures of raw sugar and water had not been thought of when the 1930 tariff was enacted. So the court must decide whether Congress would have extended the 1.7125¢ rate to them if it had known anything about them.

Meanwhile, the Treasury has sponsored a bill which would make such mixtures dutiable at 2.12¢ a pound of sugar content, but is not pushing it at this session of Congress because, practical politics being what they currently are, there is no telling what might happen if the sugar schedule were opened up for acrimonious party discussion.

Domestic sugar producers are more

International News

SWEET FUTURES

The sugar ring in the New York Coffee and Sugar Exchange. Last year, 10,371,950 tons (most of the world's production) changed hands around this ring

worried about this new development than the Treasury. This is the time of year when beet sugar refiners ordinarily contract for next year's acreage. They would be in real trouble if the test case were lost in the lower court and on appeal, with a final verdict adverse to the government coming before Congress had acted to repair its oversight.

Wayside Station Chain Is Just What Buses Need

A $15-MILLION project to "Harveyize" the long-distance motor bus lines by building and operating a chain of standardized refreshment stations along their routes was announced this week by the Highway Stations Corp. of New York. William H. Vanderbilt is chairman of the board; directors include E. H. Biddle of Philadelphia, Paul Babson, Walter McAdams, F. J. Scarr, and E. C. Learock, general manager, all of New York.

The company is now engaged in a nation-wide survey with the cooperation of the major bus lines to determine the points at which there is a definite need for stations. It is expected that 5 stations will be ready by June 1. The first two are planned for the vicinity of New Brunswick, N. J., and Harriman, N. Y. At least 10 will be erected within 100 miles of New York city. Eighteen will be needed between New York and Chicago; 175 between New York and Los Angeles.

Modern Wayside Inns

Each station will be set back 250 feet from the highway in 5 acres of ground and will range in cost from $30,000 to $50,000 with accommodations for from 6 to 15 buses at a time. Each will include restaurant, rest rooms, lavatories, news stand, soda fountain, and telegraph office. Some will include from 10 to 100 rooms where tired passengers can break their journey with a night's sleep. Prices will be standard in all stations; a passenger in New York, bound for Los Angeles, can consult a price list and standard menu card and determine exactly the incidental expenses of his trip.

Along the highway, in front of each station, will be a gasoline pump and a lunch counter, separate from the bus facilities, for the general public.

The company will hold contracts with the bus lines by which the latter agree to stop their buses at the new stations for 15-minute rest periods for a definite number of years.

A Long-felt Want

The plan is welcomed by leaders of the bus industry. Bus operators themselves have found it impossible to make the investment necessary for the maintenance of highway stations of this type. They have been obliged to rely on whatever hot-dog stands or refreshment booths happened to be located along the route. In a majority of these, facilities have been inadequate and of such poor quality as to arouse resentment on the part of passengers. Bus operators say that their files are full of letters from patrons protesting at the accommodations for eating and resting en route. For this reason, industry leaders hope that establishment of a chain of quality stations, built especially with bus passengers in mind, will attract a higher class of patron by its superior facilities.

The Business Week

KING OF THE ROADS

The new Relay truck, designed for bigger pay loads, is the largest in production. Its twin 8-cylinder engines turn up better than 270 horsepower. Driving separate axles, they can be used singly when empty

Bus Revenue and Mileage Increased in 1930

COINCIDENT with the announcement of the Highway Stations Corp., *Bus Transportation* reveals that the total gross revenue of bus lines covering the United States amounted to $326 millions in 1930 compared with $322 millions in 1929 and $264 millions in 1928. Engaged in operation over regular routes are 4,500 companies operating between cities or cross-country, the type of company that the new highway stations are designed to serve. Buses carried 1,784 million passengers in 1930 over 367,000 miles of route (more than the total main track railroad mileage in the United States) and used 48,500 buses. This is an increase of 10 million passengers over 1929.

The industry has an investment of $424,500,000 in rolling stock and $123,500,000 in terminals and garages, a total of $548 millions, as compared with a total investment of $502,500,000 in 1929. About 8,000 buses were built during the year.

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THIS is one of the most recent additions to the great variety of products that are wrapped on Package Machinery Company machines.

So perfectly have our machines met all requirements in the wrapping of cigars, that they are now recognized as ***standard equipment*** by the cigar industry.

At the right is a view of these machines in the La Palina factory.

Each machine will wrap 35,000 cigars per day. By designing the machine so that it can be operated in conjunction with the banding machine, no increase in labor is necessary—the girl who formerly took care of the banding machine, now supervises ***both*** machines.

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Margarine of Natural Yellow Puts Farm Bloc up in Arms

Dairymen Come Down Hard on Congress For New Protection, and Probably Will Get It

DAIRY farmers are clamoring for a tax of 10¢ a pound on all yellow margarine. The chances are that they will be successful in enforcing their demand upon Congress.

Since 1902 the dairy industry has been protected from the competition of artificially colored margarine by the dime tax. Recently the margarine manufacturers, among them Durkee-Famous Foods Co., have begun to use a refined but only slightly bleached palm oil imported from Dutch East Indian plantations via Birmingham and Liverpool refining plants. This oil imparts a natural yellow color to margarine.

An Essential Ingredient

David Burnet, Commissioner of Internal Revenue, ruled in November that when the palm oil amounts to 10% or more of the oil and fat content of the margarine it becomes an essential ingredient. It pays, therefore, only the ¼¢ tax on margarine not artificially colored.

The dairy industry has been thrown into a panic by apprehension that a product which possesses practically all the nutritive characteristics of butter at a much lower price now may capture public preference. The American Farm Bureau Federation, the National Dairy Union, the National Cooperative Milk Producers Federation, and the American Association of Creamery Butter Manufacturers blame Commissioner Burnet's ruling for the break from 38¢ to 27¢ in the price of butter and declare it is costing dairy farmers $1,000,000 a day. Impartial observers point out that the Department of Agriculture and the Federal Farm Board warned against overproduction of dairy products some time ago.

Broadly speaking, palm oil does not affect the character of margarine except in color and, perhaps, in vitamin A content in which it is almost as rich as butter. The issue is simply whether the public may be led to purchase the yellow margarine in the belief that it is butter.

Butter itself generally is artificially colored. N. P. Hull, of Lansing, Mich., president of the National Dairy Union, told the House Committee on Agriculture that "butter manufacturers wish their butter to be yellow so that it will look like what it is, but oleomargarine producers use coloring to make it look like what it isn't."

The margarine manufacturers insist that it is not their purpose to sell their product as butter.

In the manufacture of margarine, palm oil will displace only cocoanut oil, another imported product, and not any domestic oils and fats. The dairymen are cursing softly now because two short years ago when the tariff bill was in the making they did not think of palm oil as edible. Imports last year totaled 287,492,000 lbs. but only 150,000 lbs. went into margarine manufacture in the fiscal year ended June 30, 1930. Eighty per cent of the palm oil goes into the soap kettle and most of the remainder into refining tin plate.

The Packers' Product

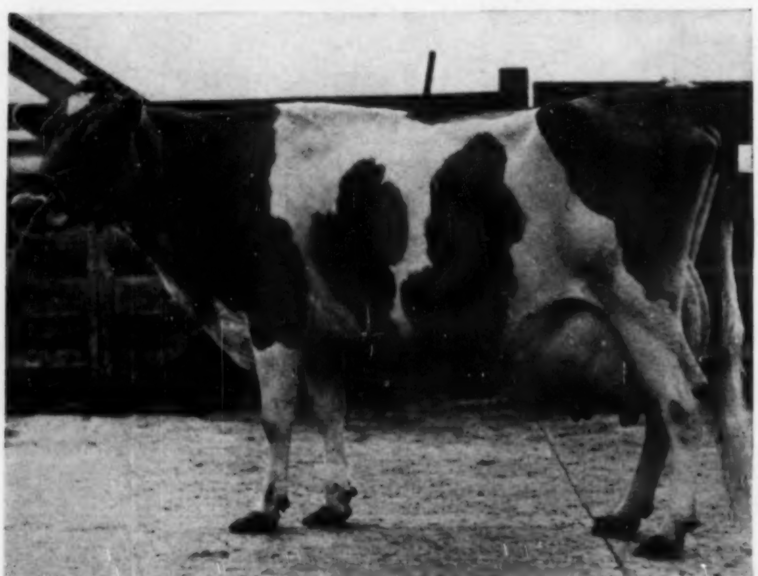
The prefix "oleo" distinguishes margarine containing animal fat from that made entirely of vegetable fat, which is usually termed "nut" margarine. Production of the "nut" variety is double that of the "oleo" and the total of both amounted in 1930 to 324,329,000 lbs. against a creamery butter output of 1,500,000,000 lbs.

Under a ruling which is the precedent for Commissioner Burnet's recent action, the meat packers have for years marketed a light yellow oleomargarine that derives its color from some beef fat but this amounts only to one-fifth to one-quarter of the total oleo production of 100 million pounds. In the past the dairymen have not challenged the right of the packers to market this limited quantity of yellow oleomargarine without payment of the 10¢ tax but even this product would have to pay the higher tax in the future under the Brigham Bill which arbitrarily defines as subject to tax all margarine which the Levibond tintometer records as having a tint or shade containing more than 1.6 degrees of yellow or of yellow and red collectively but with an excess of yellow over red.

State Laws Drastic

Sale of margarine of any shade of yellow is prohibited in about half the states but two-thirds of the total production of white margarine is sold in these same states.

The margarine manufacturers oppose the Brigham Bill as a deliberate measure



Wide World

HER NAME IS "CUTIE"

Rutgers Pogis Cutie is one of the herd of Jersey champions owned by the University of California. In a 365-day test, she turned out 892 lbs. of butterfat, 18,572 lbs. of milk, won a medal

PEOPLE

not Geography ..

DETERMINE MARKETS!

THE *geographical* center of the United States has little significance to the manufacturer who wishes to reach the dense national markets economically. *People* plus *buying power* make profitable markets. That is why Los Angeles County is 8th in manufacturing, nationally, easily leading on the Pacific Coast, and why 150 important Eastern manufacturers have located here within recent years!

2 MARKET FACTS every Manufacturer should ponder!

1 There are more people within 25 miles of Los Angeles than within 100 miles of the second largest Pacific Coast city–

58% of all people in California and 37% of all in the Pacific Coast states are within a few hours' truck haul of Los Angeles–

Nearly 2/3 of the past ten year's population increase on the entire Pacific Coast was in this area!

2 The per capita buying power ($1,351) of Los Angeles is the *second highest* in the United States and the *highest* on the Pacific Coast.

These are definite facts which cannot be overlooked by the manufacturer who wishes to locate on the Pacific Coast. We invite the opportunity of presenting the indisputable facts of Los Angeles County's manufacturing and distribution leadership.

Industrial LOS ANGELES *County*

Address Industrial Dept., Los Angeles Chamber of Commerce
Los Angeles, California

to tax one industry for the benefit of another. They claim, too, that it is robbing the poor man who can not afford to buy butter. They quote Arthur M. Hyde, Secretary of Agriculture, in his famous ruling canonizing corn sugar, that "the consuming public are entitled, as a matter of right, to demand food products on the most economical basis."

In the present controversy Secretary Hyde is on the other side of the fence. In a formal statement he has announced that the Brigham Bill is justified.

As a revenue-producing measure, the Brigham Bill properly should have been referred to the Ways and Means Committee of the House but the dairymen got it referred to the Agriculture Committee where it is sure of a favorable report urging prompt enactment. Congressmen from cottonseed and peanut oil producing states will fight the measure. Livestock men also are opposed but the representatives of 15 states have organized a "dairy bloc" to pass it. The bloc already has been successful in enacting that no army funds shall be used for the purchase of margarine or butter substitutes for table use by soldiers. Other bills pending would prohibit the use of margarine in other branches of the federal establishment.

The political prestige of the dairy interests is so compelling that veteran legislative observers are confident that the Brigham Bill will go through before March 4. The margarine manufacturers are pessimistic.

No Revolution in Wake Of Corn Sugar Ruling

DESPITE urgent requests of the canned food manufacturers and distributors, including the chain stores, Secretary of Agriculture Hyde will stand fast on his ruling which permits, without label declaration, the use of corn sugar in all food products in which added cane and beet sugar is now a recognized ingredient.

There is little jubilation in the corn sugar camp, as there appears to be almost no prospect of any immediate increase in the use of corn sugar in prepared foods.

The National Canners Association is said to have demonstrated to its satisfaction that corn sugar cannot be substituted for cane sugar in the manufacture of canned goods without affecting quality. Experimental packs of fruit and vegetables in its laboratory disclosed, according to the association, that corn sugar (dextrose) imparts to many products a flavor substantially different from, and far less pleasing than, that imparted by the amount of sucrose (cane or beet) yielding the same degree of sweetness. Corn sugar also affects color, it is said, white varieties of canned corn becoming so darkened as to make it unacceptable to consumers and unmerchantable under present requirements of the trade. The canners also claim that corn sugar has no value as a sweetening agent in freezing fruits, a process that is rapidly expanding as a result of the installation of mechanical refrigeration in distributing channels.

Meanwhile, the Corn Products Refining Co., largest in the field, has notified branch offices and brokers that it is not prepared to advise by what method or how much corn sugar should be used in the manufacture of food products and cautions that, pending research now being undertaken by the company, great care should be taken in recommending the company's product for any specific or new use.

Contractors Protest Bill On Construction Wage

THE Davis-Bacon Bill requiring public works contractors to pay local wage rates has met with determined opposition in its present form from the Associated General Contractors of America. Though agreeing in principle, they maintain that enacting the bill in its present form would result in uncertainties, disputes, waste of public money.

Virtually identical bills have been presented to the two houses of Congress and, apparently with administration approval, seem sure of passage. They provide that every federal contract in excess of $5,000 shall contain a provision requiring rates of pay similar to those prevailing in the community where the work is done. The Secretary of Labor is made arbitrator of disputes.

The contractors believe that the present wording of the bill would make possible frequent changes in rate during the progress of a job; that contractors would have to protect themselves against such contingencies by increasing their bids.

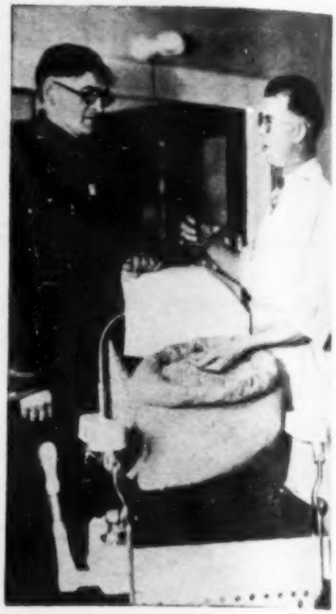
A. P. Greensfelder, president of the A.G.C.A., suggests that the minimum rate of wages should be determined by the department having charge of the construction work and not by the Labor Department; that rates of wages to be paid should be stated in advertisements for bids so that contractors can compute their costs intelligently.

Wide World

THE WAGES OF DROUGHT

Near Searcy, Arkansas, this farmer plows his fields, burns off the stubble. The earth is powdered, so dry that only long continued rain can make it fit for spring planting

Governmental Deficits Raise New Problems for Business



Keystone

No Money

Out in Fairmont, Minn., you can get a haircut for a bushel of oats. Last week, it took 2 bushels, but the barbers cut the price. They sell the oats to the elevators at 25 cents a bushel

BUSINESS men figuring on the prospects of the next 2 years must admit a new factor to their calculations—the effect of governmental deficits, apparent to some already and due for worldwide attention when fiscal yearend reports begin to come out in June—in April in some cases.

Bringing about gradual inflation in most countries, with its incidental stimulation to business, these deficits inevitably mean drastic attempts at national economy, almost inevitably mean further tax burdens on business.

Deficits have been certain since tax receipts began to shrink with the depression decline in earnings, since governmental treasuries began to leak under the pressure for relief funds and for expenditures on public works.

Heavy Shortage

Our own deficit on June 30 will be \$375 millions according to Secretary Mellon's recent statement, though private estimators suggest a higher figure. England expects one of \$150 millions at its fiscal yearend in April. France will probably be \$60 millions behind, Germany \$300 millions, Italy from \$20 to \$50 millions. This is a total shortage of about \$900 millions for this country and Europe's big four. Smaller European nations have balanced a little more closely, but further deficits are likely and most of them need capital for economic development, are now negotiating bond issues.

Other sections of the world show similar shortages. Argentina has just ended its fiscal year with a deficit of \$210 millions. Chile has eked out a surplus after being behind 3 months earlier. Japan ran \$10 millions behind, and Australia's federal and state governments combined to show a \$95-million deficit in November with only 5 months of the fiscal year gone.

Such deficits may be cause for regret but not for national alarm. The governments involved are neither insolvent nor likely to suffer from impaired credit. They are simply spending their own credit, over and above the amounts contributed by taxpayers. Net result is that more funds are being put into circulation. When governments borrow by issuing securities, the securities provide a further basis for bank borrowing from central banks, the operation increases deposits and the amount which banks can lend.

Against this promise of stimulation to business must be placed the threat of drastic action to balance new budgets. But in face of the demand for funds to relieve the depression, of such checks as the increasing unemployment that has drained the British and German treasuries, the best-laid theories of government economy are proving to be of questionable practicability.

So tax increases, even beyond those forced by 1930's decline in revenues, seem inevitable. They will take different forms in different countries. Tariff raises now promise little because of the widespread decline in trade. Steeper income taxes, particularly on larger incomes, more nearly meet the trend of the times—which is to let the increased burden fall most heavily on the rich—but some nations, like Great Britain, have already pushed the income tax to the limit of productivity. Thus other rates are likely to be raised, brand-new taxes devised. In any case, they will affect spending power, earning power, and saving power.

U. S. Fails to Parry Threat of Tax Increase

THE United States has made no progress whatever toward reducing governmental expenditures, despite periodic gesticulations. During the first 7 months of the current fiscal year it spent 7% move than in the same period a year earlier, despite the fact that reduction in the public debt was cut from \$384 millions to \$94 millions.

Revenues fell 10% during the period and the deficit was \$231 millions compared with \$105 millions a year earlier. The largest portion of the decline in revenues has not yet been experienced. Income tax payments thus far have been for 1929, while the March and June payments for 1930 will record a considerable drop.

Increased income taxes appear inevitable for incomes earned in 1931.

In this country the inflation caused by government expenditures outrunning receipts will just offset the reduction in the public debt resulting from operation of the sinking fund. Thus deflationary and inflationary forces will offset each other.

New Issues Show Refinancing Rather Than Expansion

BUSINESS borrowing of capital during the early weeks of 1931 reflects the fact that money is slightly easier for the better class of borrower. A much smaller percentage of the amounts raised by business are intended for productive use. Foreign borrowers are conspicuous by their absence. As has been the case since the stock market break of 1929, most of the borrowing has been done through bond issues.

Some favorable, some unfavorable changes from trends of previous years are indicated by the record of new issues so far.

During 1929 \$6.6 billions were

borrowed but a large part of this amount went to financial and other non-productive uses and the biggest slice went to medium or lower-grade concerns. These were ominous developments.

During 1930, with loans tightened up after the stock market crash and investors become much more conservative, the $6.2 billions of new capital raised went to higher-grade, more firmly established concerns. Increase in the use of funds for productive purposes somewhat offset the disturbing 7.4% decline from 1929 in total raised, having a favorable effect which has not yet been fully realized. Curtailment in the supply of available funds helped to keep all but needy borrowers out of the market and even pinched some of that class.

February Is Declining

The early 1931 record follows 1929's unfavorable trend toward borrowing for non-productive uses; 1930's favorable trend toward borrowing by stronger concerns. January's total borrowing—$640 millions (*The Business Week*, Feb. 11) was the highest in recent months but lowest for January since 1926. February's record has already shown a sharp decline.

Failure of foreign borrowers to come into the market has been a cause of concern since there is fast-accumulating evidence of the need of such borrowing to business revival.

Furthermore, the marked drop both in amount and percentage of borrowing going into productive use is causing concern to those who had counted on construction activity and new business projects as a result of the 1931 issues. So far, these have been more generally devoted to refunding and refinancing.

With a large volume of funds seeking investment, bond prices should be strengthened, permitting more borrowing—a development prevented only by the current timorousness. However, the continuation of refunding and refinancing issues is indicated and this tendency will strengthen as stronger prices bring lower rates.

Britain's New Issues Are Highly Conservative

European News Bureau—The British capital market has gone through much the same experience as the American. Consequent upon the financial collapse in 1929, the character of new issues put out in Britain during 1930 underwent a radical change.

The speculative wave which swept

over Great Britain, commencing early in 1928 and lasting until midsummer 1929, was responsible for the flotation of securities which had little intrinsic value, and which, lacking solid foundations, were doomed to collapse sooner or later.

Consequently during 1930 investors, watching the collapse of many of the structures which they had helped to build, kept their money locked up, or only supported issues of the most highly conservative type.

Evidence of this change is found in the fact that during 1930 there were not less than 55 issues of gas and water company stock, against only 32 for the 2 years preceding. Other groups showing a notable increase in the number of issues placed on the market during 1930 were electricity supply companies, dominion loans, British municipal loans and railway companies.

Decline in total capital raised in the London market during 1930 was even greater than that in New York. The 1930 total was £145 millions, according to *Statist* compilations, compared with £221 millions in 1929 and £288 millions in 1928. British conditions are causing many groups to sek to curtail severely the amount of foreign loans, working greater hardship abroad since no relief has yet come from New York.

Rival Bank Chains Join In Investment Trust

FIVE leading securities houses in the Northwest have joined to sponsor the Frontenac Trust, a new investment trust of the management rather than the fixed type. The sponsoring institutions include First Securities Corporation, security affiliate of the First Bank Stock Corporation, and BancoNorthwest Co., security affiliate of the Northwest Bancorporation.

These two group organizations, keen rivals, have some 125 banks each with total assets of about $500 millions each, and are outstanding examples of group banking. Present portfolio of the trust contains shares of 38 industries, several of them centering in that territory.

British Savings Campaign Chalks Up a Record

SAVINGS accumulations in the United Kingdom during the past 12 months are said to have been without precedent, although the year's figures are not yet available. Britain's small savers have been frightened out of the stock market, frightened into amassing greater savings. British building societies are planning to reduce their rate of interest from 5% free of tax to 4½% because of the superfluity of these funds.

In February, 1916, Britain invented the Savings Certificate, first called the War Savings Certificate, then the National Savings Certificate. Its object is to give the small man a chance to contribute his savings to national purposes at a fair rate of interest with good security. In less than 15 years the British people have paid out over $3,936 millions for these certificates, of which the billionth was recently sold. Saving by certificates in Great Britain is almost exactly the same as by War Savings Stamps and certificates in this country.

The sale of certificates is supervised by a National Savings committee and local associations, which also encourage thrift in other channels, such as Building Societies and Friendly (Benefit) Societies. Of the voluntary savings associations, which number about 30,000, 8,400 are in works and factories, 18,000 in schools, 1,600 are run by social organizations and 1,600 by mixed groups.

The biggest result achieved by this national savings movement has been that a large population has been educated into the possession of paper securities. In pre-war times the lower-middle classes put money into tangible form, and even savings banks were slow in attracting customers.

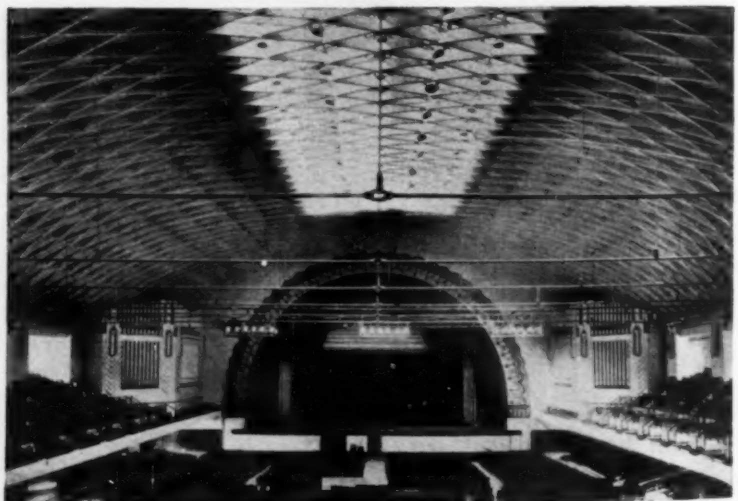
Wage-Earners' Healthiest Year Was Tough Old 1930

HEALTH of the industrial wage-earning population of the United States and Canada was better in 1930 than ever before, according to mortality statistics of the many million industrial policy holders of Metropolitan Life Insurance Co. The 1930 death rate was 8.3 per thousand, 6.6% less than 1929 and 1.1% less than 1927, the previous best. Favorable weather was one cause. Effects of long-continued unemployment were not yet reflected, the company believes.

Nearly every disease had a smaller mortality rate last year; many registered new minimums for all time. Cancer mortalities increased fractionally, chiefly in December. Mortality rate for diabetes was 18.6 per 100,000, identical with that of 1929 and the highest on record.

Influenza and pneumonia combined death rate was the lowest ever recorded; heart disease and chronic nephritis dropped slightly although heart disease still is, by a wide margin, the leading cause of death. Its 1930 death rate was 146.4 per 100,000.

Compared with 1929, death rates from alcoholism declined and that of cirrhosis of the liver rose fractionally. There were fewer fatal accidents than in 1929 and with the single exception of accidental falls the death rate declined for every type.



The Business Week

WHERE WOOD COMPETES WITH STEEL

The "lamella" roof, used here in the Westchester County (N. Y.) Auditorium, is one of the ways in which wood competes again with steel. Thousands of short timbers (lamellas) are bolted together in a basketry arch of great strength, without posts or trusses. Automatic sprinklers make the fire risk negligible

Insurance Pool Hailed As Success First Year

THE Stevedores' Self Insurance Pool, run by a number of the largest stevedoring operators in the state of Washington, has completed its first year with results so satisfactory that what began as an experiment is expected to become permanent.

The plan has resulted in a reduction from a premium rate of $18.82 per $100 of payroll to $12.05. Actual cost of insurance and operation amounted to approximately $8, which has left the pool with a substantial surplus for reserve and emergencies.

Overhead Strictly Limited

The plan was adopted in 1929 principally because of the high premium rate charged by private insurance. It was also felt that the continual friction arising between the injured workman and the insurance adjuster should be removed.

While the operating costs of liability and ordinary insurance companies are said to approximate 40%, the Self Insurance Pool limited overhead to 15% of income. Of this amount 10% is allocated to operating costs and 5% is the trustee's fee. During the first year the pool kept within these limits. The loss ratio amounted to only 60% and the year ended with all claims paid and a surprising reserve in hand.

The pool began business with an initial deposit from each member of a sum equal to the premium on one-twelfth of his annual payroll. Each month every member contributes a fixed percentage of his payroll.

Re-insurance Used

The re-insurance is one of the vital links in the pool plan. Claims in excess of $5,000 and total claims in excess of 90% of the pool's income are covered in one of the reliable re-insurance companies. This coverage is up to $500,000 and gives the pool security against some unusual disaster which might wipe out the pool's resources due to a large number of deaths and serious liability claims. During its first year the pool adjusted and paid between 400 and 500 claims without litigation. One claim only has been paid by the re-insurance company.

One of the most satisfactory results of the new plan, it is claimed, is the improved human relations which it brings. A close personal contact is established that is removing the veil of suspicion and hostility usually apparent when the adjuster for a private company calls.

New Orleans Hard at Work Building Port Improvements

Nation, State, City, and Railroads Spending Vast Sums to Create New Facilities

In song, story, and motion picture New Orleans is a dreamy romantic old town. Astutely enough, New Orleans does nothing to spoil this tourist lure. And it is a romantic place. But dreamy? Hardly. New Orleans is a vigorous commercial community, overlooking no bets. It has history and scenery, but also the go-getter urge. City, state, and private interests are marching steadily ahead with amazing projects.

New Orleans' 460,000 people live in a crook of the Mississippi. At flood stage the water rises high above street levels. The river which gave the old city an excuse for existence is kept from invading the town by tall levees. Back of the town stretches Lake Pontchartrain, really an arm of the Gulf. Twenty-eight miles up stream the new $10-million Bonnet Carré spillway—built by the federal government to ease the high-water pressure against the city levees—runs from the Mississippi to Pontchartrain.

The town had to be protected from possible excess water on its flank—surplus floods from the river and storm tides from the lake. This protection is being provided by a unique bit of city planning which may in the end pay dividends.

Below New Orleans a 5½-mile Industrial Canal connects the river with the lake. The new project begins at the Pontchartrain mouth of the canal and extends five miles along the shore. It will cost $27 millions and will convert into high class residential property swamp areas once inhabited by frogs, and mosquitoes. This is no chamber-of-commerce dream. Much of the work is done. Funds are forthcoming for a 10-year program.

The concrete seawall, first bulwark against the lake, is 50% finished. Dredges have converted 1,900 acres into dry lands. A fine lakeshore residential parkway will extend along the water. Drives will be laid out in garden developments and sold to homeowners under restrictions. There will be room for 40,000 persons in the reclaimed area. The fill will be higher than land behind it and homes will stand on what is in reality another levee protecting the city from its ancient enemy, Old Man River.

New Orleans seized this opportunity of solving that most modern problem—an adequate airport. A constitutional amendment gives the city a $1,500,000 landing field on the lake front adjoining the parkway, just 7 miles from the city hall; 5 million yards of fill will be pumped from the lake bottom to provide 270 acres of land.

Country's Second Port

New Orleans has always been sea-minded. It is the second largest port, 1929 imports and exports being nicely balanced at over 4 million tons. It deals in highly valuable commodities: cotton, coffee, sugar, petroleum, cotton oil, mahogany, bananas. New Orleans dug the Industrial Canal without government aid. Running between lake and river, it affords unlimited opportunity for the development of docks and slips outside the swift yellow waters of the Mississippi.

Railroads acknowledge the future of the port by ambitious terminal programs. The Gulf, Mobile & Northern—affiliate of the Burlington—has bought a large tract along the Industrial Canal and announces a $3-million freight terminal plan. Fill for trackage will come from excavation for slips. The Public Belt Railroad will establish a 1,500-car yard in connection with its docks. Warehouses and storage sheds will be provided.

Railroad Projects

Other railroad projects are: Application of the Missouri Pacific to enter New Orleans on east side of the river over tracks of the Louisiana & Arkansas; this will uncork expenditures of $2 millions on extra tracks. The Louisiana & Arkansas will spend several millions improving its present terminals. The Southern Pacific will enlarge its produce terminal, has lent the Port Commissioners $1 million now being used for its steamer terminus at the foot of Canal Street. The Illinois Central plans a new Union Station which with new track construction and freight facilities will cost almost $8 millions (the S. P. will share facilities and costs). Despite the engineering difficulties of soft ground and low approaches, plans go forward for the public belt bridge across the

The Business Week

MISSISSIPPI SAFETY VALVE

The new Bonnet Carré Spillway, 7,700 ft. long, 28 miles above New Orleans, will protect the city in time of flood by diverting high water 5 miles cross-country to Lake Pontchartrain. This is the river side; on the other, great slabs of concrete baffle blocks take the fight out of the water, prevent the soil being scoured away

Mississippi planned to cost about $21 millions.

The waterways outlook is just as ambitious. New Orleans is down-hill from the great manufacturing cities of the Middle West. Commerce, like water, answers the pull of gravity. Significant is the appropriation of $7,500,000 by Congress for the long-discussed channel from Chicago to New Orleans. The upper Mississippi will be deepened to do away with shoal waters in summer.

The River Comes Back

As a freight carrier, the river shows signs of a comeback. During December it brought in 128,000 tons of freight, an increase of 20,495 tons over December, 1929. Totals will mount with the service of the Mississippi Valley Barge Line, a $3,500,000 privately financed concern operating from Cincinnati. This will add to the service pioneered by the Federal Barge Line running out of St. Louis.

Addition to small boat traffic will come with the Intercoastal Canal. This canal will ultimately connect New Orleans with Corpus Christi, Texas, on one side, and Florida on the other. It will run through dredged channels and protected sounds that skirt the Gulf. Width of channel at bottom, 100 feet; depth, 9 feet; cost $16 millions. Work between the Mississippi and Texas points is well under way. The channel to Corpus Christi should be complete in two years. A federal undertaking.

Shipping Is Brisk

The port has felt the impulse of federal shipping aids. Three new ships costing $11 millions have been ordered by the United Fruit for service between New Orleans and Colombia. The Mississippi Shipping Co. (to Brazil and the River Plate), the Tampa Inter-Ocean Line (to the Mediterranean), the American-West African Line have acknowledged the benefit of mail contracts by improved services. In preparation for increased business the Dock Board is spending over $1 million on wharf improvement, is planning huge construction and warehouse projects for next year.

The march advances by land as well as by water. Louisiana has scheduled a greater road expenditure than any state for 1931, financed by a 5¢ gasoline tax. The total will be about $75 millions. It will hard-surface 2,500 miles, and gravel 1,000 additional miles. Result, more truck and tourist business.

Europe's Aluminum Cartel Shies At Threat of Overseas Invasion

Move by Canadian Company and Swiss Defection May Complicate Negotiations for Quota Changes

EUROPEAN NEWS BUREAU—Europe's aluminum cartel is threatened with dissolution.

A conflict broke out some time ago between the largest German aluminum producer, Vereinigte Aluminiumwerke (owned exclusively by the Reich), and the Swiss aluminum concern, the Aluminium Industrie A.-G., Neuhausen. The Swiss concern has enjoyed for some time the privilege of importing crude aluminum from Switzerland into Germany where, in its rolling mills at Singen, it works the metal into semifabricates for export. Recent withdrawal of this privilege led to a conflict between German and Swiss aluminum producers, both members of the European cartel.

Feared Canadian Company

This conflict in itself had no particular bearing on the international aluminum position until it was explained by the German Ministry of Finance that the privilege was withdrawn because of the fear that Aluminium, Ltd. (of Canada) would soon claim a similar privilege under the most-favored-nation clause.

A few months ago the Aluminium company acquired the aluminum rolling mills at Goettingen. Then the Goettingen firm filed an application for the free import of raw aluminum for manufacture and re-export. The plant at present has only a small capacity and the quantity of aluminum for which a license was asked was trivial (20 tons a month). The European industry, however, considers the affair a "feeler," is inclined to think any concession would immediately be followed by imports of larger quantities which would give American aluminum a firm footing in Germany.

Difficulties Ahead

The Swiss-German conflict may endanger the renewal of the European aluminum cartel. Negotiations for renewal will be difficult in any case since 2 of the partners (Great Britain and Switzerland) are expected to demand higher quotas. The present quotas of the 6 members of the cartel are: Germany, 27%; France, 23%; Norway, 20%; Switzerland, 18%; Great Britain, 8.7%; Italy, 3.3%.

The main object of the European aluminum cartel is the maintenance of a solid trade front against the American and Canadian interests which today produce approximately one-half of the world's aluminum. Of 1929 world production—270,000 short tons—the United States produced 102,270.

Swiss Seek Peace

In Germany, it is rumored the Swiss are seeking a "rapprochement" with the American aluminum interests, that a representative of the Swiss aluminum industry is now negotiating in America.

This news, whether correct or not, is naturally bound to increase German nervousness in regard to the new "American invasion" of German industry and is likely to make the negotiations regarding the prolongation of the European cartel more difficult and complicated than they already are.

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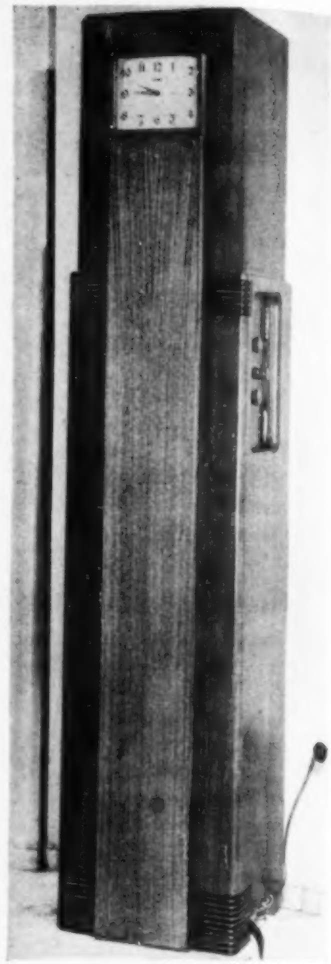
In the New York office of Aluminium, Ltd. (of Canada), it was admitted that the company had purchased the Goettingen mill in Germany. It was pointed out, however, that the move concerned only the Canadian company, which already operates foreign subsidiaries in Norway and Italy. These subsidiaries are not members of the European cartel. Foreign operations of the Canadian company are carried on quite independently of the Aluminum Co. of America.

It was further explained in the New York office that the difficulty in Germany has developed from the loose wording of the drawback clause in the agreement covering aluminum operations by foreign companies in Germany. The Swiss are taking the aggressive because they are the only ones whose rights actually have been abrogated by the Germans. Lawyers for both the Swiss and Canadian interests are in Germany now, attempting to arrive at a clearer interpretation of the old agreement.

New York officials deny any move to interfere with the European cartel.



The Business Week

NEW IDEA IN RADIO

For the smaller homes of today, Westinghouse produced the "Columnaire" by standing the chassis on end. A full-sized set, it takes up less floor space than a midget

Eastern Europe Reports On Need for Loans

PREVALENCE of high rates on short- and long-term funds reflecting both shortage of money and lack of confidence is revealed in Eastern Europe through a survey made by *The Business Week*. The situation has had a seriously adverse effect on business. Foreign loans in considerable amounts are being sought or will be sought when conditions permit.

Failure of capital to move freely in Europe, especially to the needy nations, is a major factor in the present depression. The recent declaration of policy against war by European governmental representatives at Geneva was largely an effort to alleviate this condition.

Hungary has been hit by a large

decline in the inflow of foreign funds dating back to 1928. Total foreign debt at the end of 1930 was about $507 millions. In 1930 the finance minister was authorized to seek a long-term foreign loan of $87.5 millions, but this cannot be done until France ratifies an agreement removing financial control by the Reparations Commission. Meantime, short-term funds are being borrowed to be repaid with the long-term loan.

Banks are obtaining funds in New York at 3% and 4%. The government is carrying on considerable construction with funds supplied by banks out of this short-term balance. Formation of new capital came virtually to a standstill in 1930. The rate on prime bills ranges from 6½% to 7% while bank credit charges are 7½% to 11%.

Greece is seeking foreign loans in quantity, will probably want $50 to $60 millions. Various credits have been arranged in anticipation of them. In the meantime, discount rates for bills range from 10% to 13%, first mortgages cost 12% to 18%, and second mortgages 20% to 30%.

Poland is negotiating for funds abroad, and meeting difficulties. The banks charge 11% to 12% for funds with accommodation limited, while the ordinary business man frequently is forced to pay 24%. Mortgage loans are hardly obtainable, the rate usually being 12%.

Northwest Debates Treaty To Save the Sockeye

SALMON fishers of Puget Sound, now fishing for ratification by the Senate of the sockeye treaty between the United States and Great Britain, find themselves in troubled waters. Scientists and federal officials tell them that, in this treaty, signed May 29, 1930, approved by the Canadian Parliament the following day, lies the only hope of restoring the sockeye catch to its pristine glory and value. Governor Hartley of Washington retorts that his state department of fisheries, with the cooperation of British Columbian authorities, can do all of this without bringing in an international commission. He tells radio audiences that such dual control "would create conditions of absolute confusion and demoralization" throughout the whole salmon industry. He adds that the shrinkage in value of the sockeye catch from $40 millions to $10 millions is due less to lack of conservation than to a rock slide that blocked Fraser River

spawning grounds to the sockeye in 1913 when the Canadian government was engaged in railroad construction at Hell Gate on the Fraser. Washington's senators are unlikely to urge ratification against the governor's opposition, but both sides agree that something must be done.

Almost Fished Out

Visitors in American waters as they pass through Puget Sound toward the spawning grounds of Canada's Fraser River, the sockeye made up 60% of the total American and British Columbia pack in 1909; less than 7% in 1929. Experts assert that present ruthless methods of catching the fish on their way to the Fraser will soon result in their extermination; point out that, if again the United States withholds approval of international action, 4 times ratified by Canada, British Columbia can wipe out the sockeye within a few years by opening up the Fraser River district to types of fishing gear not now permitted.

The proposed 16-year treaty, latest result of a 25-year effort for unified control, provides for escapement of fish during the run, improvement of passages up the Fraser, fish culture; authorizes regulations defining closed periods, specifying the type of gear to be used and the number of fish to be packed. It would cover the Strait of Juan de Fuca, leading from the Pacific into Puget Sound and the waters leading to the Fraser. On the Canadian side it would embrace the Gulf of Georgia and the waters from Lasqueti Island to the Fraser as well as the territorial waters and the high seas outside Juan de Fuca between the parallels of 48 and 49 north latitude. Each government would appoint 3 non-salaried commissioners to investigate and regulate, with the consent of 2 from each nation necessary for enforcement.

Quick Action Needed

American fishers and packers of Puget Sound are said to be convinced of the need of immediate international control measures to save the sockeye. While their 1930 catch will total 24,098,411 lbs. against 7,661,479 lbs. in 1929—due to a late run and reasonable escapement in 1926, says Henry O'Malley, United States Commissioner of Fisheries—the Sound's pack dropped from 1,007,904 cases in 1909 to 111,589 in 1929. Friends of the treaty feel that it will restore the pack to, at least, its 1917 figure of 411,588 cases; perhaps to the 1,572,009 total of 1913.

Swift Survey of Business Abroad

EUROPE

EUROPEAN NEWS BUREAU (*Cable*)—Fitful conditions since the beginning of the year give signs this week of steadying. Momentarily at least, the favorable factors outweigh the unfavorable. Sterling has not only sustained its recent recovery, but has further appreciated, bringing also 3-month rates above the goldpoints. Where recovery at first was brought about by arbitrary intervention by the Bank of England and was wholly artificial, the increase of the London open discount rates, circumstances such as the well-subscribed $60-million India loan and further easing of the New York rates, now tend to consolidate at higher London levels the new position of sterling, thus diminishing the necessity for Bank of England support. Rising bond markets even in Eastern Europe, resistant when not also rising stock markets, and good reception for an increasing volume of new issues are indicative of slowly returning investment confidence.

French Banks Participate

France now not only has definitely subscribed to the policy of capital exports but the readiness of French banks to participate in a large way with the Anglo-American and Swiss consortium in the pending 1-year $32-million credit to Germany raises the hope that economic, as well as political, considerations will determine the direction of exports of French money and increase their usefulness, though Parliament momentarily is divided on the question and there is considerable opposition to the pending credit.

Appraisals of German conditions which had undergone a marked change in the last few weeks, both within and outside Germany, took an unexpected turn when National Socialist and German Nationalist members walked out on the Reichstag.

The question of reparations and debts revision is growing warmer, and may shortly come to a boil. In his important and well received speech before the Reichstag, Dr. Bruening declared the policy of the government was to collaborate in seeking a comprehensive and organically sound solution, but he served notice that the government is ready to incur every unpopularity in opposing all provocative or precipitate proposals designed to attain merely a fractional solution to this world-wide problem. European discussion momentarily is occupied with the d'Ormesson proposal suggesting on the one hand, 50% reduction on both unconditional reparations and war debts in the next 2 years; on the other hand, reduction by 1/12 of the Franco-German military appropriations.

Day-by-day business changed but little during the week.

Trade and industry here and there show sporadic improvement, but so far this fails to match the greater financial vigor already noted, or to substantiate more sanguine views. Commodity markets continue to be irregular. The uniform advance in textiles, noted a week ago, has broken up. Wool continues strong. The lockout in Lancashire is taking on deeper subbornness and becoming a dispute of first magnitude. Jute has again relapsed. Calcutta yearend stocks of cloth total 243 million yards, compared with 85 million at the end of 1929. Proposals now current would padlock a part of the Bessian looms.

All non-ferrous metals, on the other hand, began the week with a rebound from 10 days of steady decline led by tin on the reported overwhelming vote of the Malay producers favoring restriction, with the Malayan government ready to sign a quota scheme. Silver futures, however, broke an even shilling an ounce with India reported planning to unload $50 millions of retired silver currency in China. At present levels this metal loses monetary significance, raising the question as to what is its industrial value.

British Business Uneven; Investor Interest Latent

LONDON (*By Cable*)—Commodities are unimproved with the only bright spots in the business outlook, increased sales of pig iron and small movements in steel. London wool sales, after a flat opening, recovered spectacularly.

Stock markets are moderately firm with mining stocks leading. Giltedged securities were hit Thursday by rumors of a big development loan for the unemployed but this was denied by Parliament as part of the Labor government's policy. Monday saw the issue of the Indian loan for $60 millions to earn 5½%, offered at 97 with attached conversion on $25 millions to holders of the existing 5½%. The stock was well received, dealings opening at a small premium. Financial houses were interested in the offer Tuesday of the $10 millions 5% debenture to finance the building on the old Hotel Cecil site, the new premises for lease to

International News

ARBITRATORS IN GERMANY'S RUHR STRIKE

Mine owners demanded an 8% cut in wages; labor balked at more than a 4% reduction. The German Labor Minister met the crisis by naming a special committee whose compromise on a 6% cut was backed by the government. Arbitrators, left to right: Dr. Link, Dr. Braun, and Dr. Bracht, Mayor of Essen

Shell-Mex. That it was well received is confirmation of the view that investors are readier to put their money into property than in industrials or giltedged. The success of these issues is expected to encourage waiting issues which have been frozen by lack of confidence.

The cotton stoppage continues with weavers refusing to negotiate after the belated statement from employers assuring them that the "more looms" system means less hard work and more money, that the displacement of labor will be arranged by a joint group of owners and union representatives. An important Lancashire group has announced plans to build mills in India to leap the tariffs and to overcome inability to reduce English costs. Finance experts are leaving shortly to choose sites and to supervise buildings, all with the hope of being able to recapture the Indian market for piecegoods.

International News

MORE GOLD

From Buenos Aires to the National City Bank, New York, comes another shipment to pay charges on outstanding loans. Argentine gold shipped here since January 1 now totals $10,440,000

Silver at New Low

Silver touched 4 new lows during the week, ending at 12d Monday after heavy selling on American account and uncertainty in China. The price has exactly halved in 17 months.

The first railway dividend, the Southern, is 1½% on deferred stock against 2½%, being the lowest since 1926, the strike year. It is feared the Midland must draw heavily on reserves if a dividend is to keep the stock in the trustee category, but the Great Western is expected to show up better.

Despite the sales record of Chevrolet, Ford rose on the London market 7/32 to 3 15/16. Leyland Motors, after a long period with no dividend, will pay 20% and lead the market. English automotives are said to be contemplating effecting a combination fight on Dagenham when it gets into production, because Ford is expected to sweep the market for low priced cars.

350,000 Jobless in France; Business Continues to Sag

PARIS *(By Cable)*—The depression cycle continues to widen and deepen. Industrial activity is being further restricted. Railway receipts and car loadings have dropped to new low levels. Business is much concerned as to how the 1930 $40-million railway deficit will be covered, and is strongly opposed to any increase in rates at the present juncture.

Unemployment, hitherto only fractionally represented by the 30,000 persons receiving government relief (France is among the few countries in Europe so far to have resisted the introduction of federal unemployment insurance), is now declared by the French delegate to the International Labor Bureau at Geneva to be 350,000, to which 1 million short time jobless can be added. This total is based on a recent industrial survey and does not include agricultural unemployment or workers in establishments employing fewer than 100 workers. Part time unemployment has generalized in the textile industries, and is spreading to the northern coal mines and steel plants. The Alsatian potash mines have been placed on a 4-day basis.

Agricultural conditions are unsatisfactory. Winter wheat is reported in poor shape with acreage reduced. No further development is proposed for an additional increase in the wheat duty. The year's sugar excess, due to a bumper crop, is placed at 150,000 tons. France did not participate in the Chadbourne plan and refiners now are negotiating with beet growers for joint storage of this excess.

Pathé-Natan, the second largest French movie combine, is reported in financial difficulties, with a deficit of $20 millions. There are rumors of a rescue by the financier, Bayer, of the Galeries Lafayette, or by the Bauer Marchall Bank, but they are denied and Pathé is said to be seeking a merger with the Gaumont group as a last resort. Such a merger would unite the French movie industry into a single powerful combine operating a majority of the country's theatres and studios.

According to Berlin reports, Bauer Marchall, named above, will represent French interests in the Franco-German group formed to take over the Bank für Innen und Aussenhandel (domestic and foreign trade)—with which Mannesmann Brothers, holding large interests in Morocco, are affiliated. The new bank will be devoted to the development of mixed Franco-German interests under the name Deutsch Französische Bank.

Citroen—SKF

The Citroën automobile company is reported to have contracted for the use of SKF roller bearings exclusively in return for which the Swedish company has purchased an $800,000 stock interest in Citroën. It was at first believed that Kreuger & Toll were financing the transaction but this is now denied.

In contrast with diminishing business activity, financial activity is increasing. Loans to Poland, Roumania, and Jugoslavia are progressing but are eclipsed by the consent of the government to

participation in the short term credit to Germany indicating a new policy, which eventually may include a loan to Italy.

Diverse Factors Affect German Business Outlook

BERLIN (*By Cable*)—Business sentiment which improved early in the week on evidence of political stabilization and reports of the first French participation in German government credit which is considered a sign of returning foreign confidence in German finance and indicative of the possibility of an influx of French capital, again hesitated after Tuesday's upset in the Reichstag.

The week's outstanding event is the announced participation of a French banking consortium, headed by the Banque de Paris et des Pays Bas, up to 30% in the $32 millions in international credit for financing the purchase of an equal amount of preferred shares in the Federal Railway Company sold by the treasury to employees of the Insurance Board. The latter originally were expected to pay monthly instalments till December, 1932, but the present transaction will make the proceeds available to the treasury immediately.

American participation by Lee Higginson, though reduced, still is dominant. Further American credit came to RWE (Rheinisch Westfallisches Elektricitaetswerk, A. G.) in $7½ millions, 5-year 7% notes financed by the National City Bank.

Price Reduction Successful

The decree forcing a price reduction on trade-marked articles has proved a decisive success, the great majority of firms, including American foodstuffs and cosmetics, preferring to reduce prices before Feb. 1 rather than forego the protection of fixed retail prices and risk a price war on their goods. Contrary to the opinion of the general public, that manufacturers of branded articles are able to dictate terms to the wholesale and retail trade, the latter have both maintained their positions remarkably well, and succeeded in repudiating the attempt of manufacturers to shift a part of their losses by distributing them to the trade through reduction of percentages on discounts and rebates.

Successful reduction of the price level is endangered by the alleged promise of the government to agrarian interests to increase and introduce a

flexible tariff on meat and dairy products, and develop further the compulsory admixture of domestic farm products. The Federal Economic Council is demanding $500,000 as an annual subsidy for flax growing. Forestal interests complain of a 30% depreciation in values on forest products last year due to Russian dumping and urge the tripling of present duties on logs and sawn lumber. The increase is emphatically opposed by the timber trade and wood working industry, and mining industries assert such a move would raise prices on logs and sawn timber 4% and 20% respectively. They point out that Germany is dependent on imports for ⅓ of lumber requirements.

Another event is the Stahlverein (German Steel Trust) declaration of a 4% dividend instead of 6% as in recent years. Though the dividend covers the year ending last September and so does not yet reflect the full gravity of the depression, sales were down 13%, gross earnings 8%, and net earnings 32%. The most adverse features on the balance sheet were the increase in stock of finished products by $20 millions, or 41%, and great lack of liquidity. The Stahlverein dividend is likely to prejudice dividends from a number of leading mining and steel concerns with big interests in the former. Among these are Gelsenkirchen (Gelsenkirchener Bergwerks A.-G.), the country's leading coal mining company, and Phoenix A.-G., (an important steel company largely owned by Gelsenkirchen and Thyssen).

Foreign Orders Up

Further details of the AEG and Siemens reports strikingly illustrate the importance of foreign business in maintaining relatively satisfactory employment in the German electrical industry during last year. Thus, while domestic sales of AEG declined 35%, total sales declined only 10% due to an increase in foreign orders of 8%. The Siemens concern share in the foreign business totaled 33% for light, and 47% in heavy equipment.

The German-Swiss aluminum war (see page 30) terminated with the federal-owned Vereinigte Aluminiumwerke agreeing to purchase a fixed quantity of crude aluminum monthly from the Swiss concern, which in turn reopens its closed German rolling mill. Peace will facilitate the renewal of the European cartel and will restore a united anti-Canadian front.

The gasoline price war continues unabated. Big concerns have reduced further filling station prices which are now below world levels. While the Roumanians have given up and withdrawn from the market, the Soviets are accepting the challenge and making the same reductions. Their exaggerated quota demands for future sales in the cartel are the main obstacle to peace.

Business is interested in the venture of the General Motors-owned Opelwerke which is the first company in Germany to take out group insurance on all employees, and pay part of the premium. In January, Opelwerke insured on a trial basis all employees entirely at its own cost. At the end of the month, 90% had decided to continue and agreed to pay a part of the premium despite the high premiums already paid on compulsory social insurance.

Italy Encourages Silk Exports; Oil Discovered

MILAN (*By Cable*)—A generally optimistic business tone is reflected in better stock quotations during the past 2 weeks. Manager Deading of the Italian Bank says improvement has really come and there is good hope for the near future. In the commodities, wool, rayon, and cotton are still weak.

Net profits of the Bank of Italy for 1930 were $3,858,000 against $3,872,000 in 1929. The 10% dividend was repeated this year. In 1930, gold reserves decreased by $3,766,000 but cover still held at 53%, the legal requirement being 40%. Credito Italiano declared an 8% dividend.

The silk spinning mills in Venice province have reopened, taking on 2,800 operatives. Exports of raw silk to the United States since Jan. 1 totaled 4,000 bales, price $5.14 per kilo, a record low, with which Italians hope to meet Japanese competition. Edison directors recommend a 10% dividend on their own shares and the same as last year for 11 subsidiaries. Italian output of electric power in 1930 totaled 9,930 million kw.-hrs., an increase of 184 million over 1929. The output of rayon, which totaled 32,200,000 kilograms in 1929, fell to 30 million in 1930, with actual mill capacity more than 40 million. The industry is prepared to export if the trade revives.

The promising discovery of an oil well near Parma, gushing 9 tons of good petroleum in one day, has roused great interest. Experiments are being continued to determine whether the flow is permanent.

Bolivia To Default Again; Brazil Cuts Consulates

INTEREST in the journey of the Prince of Wales to Buenos Aires is more spectacular than news from most of the Latin countries.

In Peru, the proposal for a moratorium was pushed farther into the future when the government announced that provision had been made to meet the $600,000 charges due on Mar. 1.

Bolivia still has not been able to negotiate any scheme to aid the government in meeting service charges on the external debt. The Financial Commission, which has been in New York since Dec. 12, this week announced negotiations will be discontinued until the Provisional Military Government goes out of office and the new administration comes in on Mar. 10. Meanwhile, interest due on Mar. 1 to holders of the 1928 external 7% bonds must be postponed. The interest on the 1927 external 7% loan is already in default; the payment due Jan. 1 was omitted.

Brazil Economizes

Few new developments are reported from Brazil. Disorders in the northern states are not considered a threat to the government. In Saõ Paulo, it is reported that negotiations are under way for a consolidation of 5 railroads in that state. The report declares that after consolidation, a credit of $30 millions for the purchase of material to modernize the lines will be advanced by a group of North American firms.

As an economy measure, Provisional President Vargas has decreed the closing of more than 150 Brazilian consulates. In the United States, consulates reported in the list to be closed include Cleveland, Louisville, Milwaukee, Palm Beach, Tampa, and St. Louis.

Japan's Foreign Trade Shows Export Balance

BUSINESS in Japan is holding up well. Stock Exchange activity during the last week was restricted but prices were generally steady. Commodities fluctuated generally upward, though raw silk reacted to dullness in the United States. Cotton and cotton yarns were stronger. Rice was practically unchanged.

Foreign trade during the first 10 days of February showed a favorable balance of nearly $450,000.

Important legislation before the Diet has been held up by party strife.

Wide Reading

UNEMPLOYMENT: WHAT INDUSTRIAL ECONOMISTS SAY ABOUT IT. Glenn A. Bowers. *Factory and Industrial Management*, February. Various plans; discussions of the Wagner bills and their effects.

"ATMOSPHERE" SELLS $50 SHOES. Eugene de Lopatecki. *American Architect*, February. A new and striking example of making sales methods and background fit the product and the clientele. Excellent illustrations. For the alert architect and store manager.

FORECASTING THE TRADE WINDS. William Pickett Helm. *World's Work*, February. From bananas to razor blades, sales specialists are booming consumption. Light, but suggestive of a possible way out of the present depression if it is due to underconsumption.

HURDLING THE CUSTOMS BARRIERS ON YOUR AUSTRALASIAN MAILINGS. Roberta Wakefield. *Export Advertiser*, February. Advice to the new exporter and summary information for the advertiser in Australia, New Zealand, British and French Oceania.

AMERICAN STEEL IN FOREIGN MARKETS. Gilmore Iden. *Magazine of Wall Street*, Feb. 7. Europe's cartels have failed but in several countries the industry is preparing to extend foreign markets.

RUSSIA STILL OFFERS A LARGE MARKET FOR AMERICAN EQUIPMENT. M. Mendelson. *Iron Age*, Feb. 5. Summary of the various projects that have had or will have a direct effect on the employment of American machinery or American technical assistance.

CZECHOSLOVAKIA AND THE AMERICAN EXPORT ADVERTISER. Etienne de Kleczkowski. *Export Advertiser*, February. Methods of advertising and selling in this friendly and prosperous market.

REPORTS—SURVEYS

CANADA 1931. Dominion Bureau of Statistics, Ottawa, 199 pp., 25 cents. An official handbook of present conditions and recent progress. Current data on all industries and trade.

HOW TO JUDGE A HOUSE. Report of the National Committee on Wood Utilization, Washington, 85 pp., 10 cents. Factors to consider in building, repairing, or maintaining a home.

OPERATING TRUCKS PROFITABLY IN CONTRACTING. General Motors Truck Co., 24 pp. A report based on a nation-wide survey. New economies, new profits, in correct fleet capacity and careful buying.

RADIO MARKETS OF THE WORLD—1930. Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, 110 pp., 20 cents. The markets by countries, their use of radio, their investments in radio, unusual market conditions.

BOOKS

THE ECONOMIC LIFE OF SOVIET RUSSIA. Calvin B. Hoover. Macmillan, 361 pp., $5. Stimulating, complete, up-to-the-minute interpretation of the significance to the capitalistic world of the Soviet Union.

REDUCING SEASONAL UNEMPLOYMENT. Edwin S. Smith. McGraw-Hill. Incorrectly listed at $4 in our issue of Feb. 4. The price is $3.

What the Figures Show

THE sudden routing of the bears in Wall Street and reversal of bearish sentiment in other commodity markets this week raised hopes of an early turn in the business tide. Though steel production, electric power, and car loadings are holding their own, it appears doubtful that the underlying business situation will yet lend sustained support to any rapid upswing of prices. *The Business Week* index of general business conditions for the first week of February stands at 76.8% of normal against a revised figure of 77% the preceding week and 92.8% a year ago.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*76.8	†77.0	92.8
Production			
Steel Mill Operation (% capacity)	*48	47	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)		$8,744	$10,755
Bituminous Coal (daily average, 1,000 tons)	*1,344	†1,473	1,938
Petroleum (daily average, 1,000 bbls.)	2,117	2,086	2,614
Total Electric Power (millions K. W. H.)	1,679	1,687	1,783
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	120	119	150
Check Payments (outside N. Y. City, millions)	$4,771	$4,162	$5,840
Money in Circulation (daily average, millions)	$4,599	$4,581	$4,560
Wheat Receipts (1,000 bushels)	7,193	6,810	3,390
Cotton Receipts (1,000 bales)	198	138	132
Cattle Receipts (1,000 head)	*147	140	143
Hog Receipts (1,000 head)	*636	†714	701
Wool Receipts (1,000 lbs.)	1,592	4,300	7,249
***Prices** (Average for the Week)*			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.69	$0.69	$1.12
Cotton (middling, New York, lb.)	$0.106	$0.104	$0.158
Iron and Steel (composite, ton)	$31.69	$31.69	$35.24
Copper (electrolytic, lb.) f. o. b. refinery	$0.094	$0.094	$0.178
All Commodities (Fisher's Index, 1926-100)	76.4	77.2	93.4
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$15,668	$15,753	$16,630
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,365	$8,374	$8,938
Brokers' Loans, New York Federal Reserve member banks (millions)		$1,716	$3,450
Federal Reserve System Ratio		82.9	77.9
Stocks Sold (N. Y. Stock Exchange, 1,000 shares, N. Y. Times)	8,190	9,457	20,143
Stock Prices (N. Y. Times, average 50 stocks)	$154.95	†$154.15	$221.72
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$46.623	$58,214	$54,129
Bond Prices (Dow, Jones, average 40 bonds)	$95.83	$96.23	$93.89
Interest Rates—Call Loans (daily average)	1.5%	1.5%	4.4%
Interest Rates—Time Loans (daily average)	1¾-2%	1¾-2%	4¾-5%
Business Failures (Dun, number)	676	660	619

*Preliminary †Revised

Steel Production

Steel ingot production for January increased nearly 24% over the low output of slightly over 2 million tons in December. But with a total of 2,483,206 tons, January production ranks as the smallest tonnage for the month of any years since 1917, with the single exception of 1922. A year ago, with an operating ratio of 70%, some 3,796,090 tons were produced, indicating the very high level of activity in the fore part of 1930. The January, 1931, operating ratio of 45.9% of capacity, according to the American Iron & Steel Institute, compares with 38.6% in December, 44.6% in November and 50.3% in October. For the first week of February, *The Business Week* estimates steel ingot operations at 48% of capacity compared with 47% at the close of January. The adjusted index of steel production stands at 61% of normal compared with 60% the preceding week. Steel orders unfilled on the last day of January were unexpectedly large, totaling 4,132,351 tons. The gain of 188,755 tons over December was the fourth consecutive increase in these figures and places January at the highest level since April, 1930.

As February opens the trend in operations is upward, but demand is spotty, according to the *Iron Age*. The irregularity in the flow of orders is to be expected in view of the unsettlement of general business conditions. Though automobile production for January has been estimated by the National Automobile Chamber of Commerce at 183,876 units for the United States and Canada, a 12% increase over December. The demand for sheet metal has tapered off, so that mill operations fluctuate. The curtailment program in the oil industry and financing difficulties are given as reasons for delays in placing pipe line and structural steel orders.

Due to a change in the system of reporting building construction figures by the F. W. Dodge Corp., no data covering the first days of February will be available until the next issue of *The Business Week*. For the purpose of our general index, a conservative estimate has been made, but the publication of our adjusted index for building must await the announcement of the actual data. The recently released figures on construction for January reveal a slight decline of less than 9% from the December totals and nearly 30% from the January, 1930, volume, or $227,956,400 compared with $249,435,500 and $323,975,200 respectively. This volume of building in the 37 states is the smallest of any month of the period 1925 to date.

In the metropolitan New York area residential construction was particularly strong, showing an 18% increase over a year ago. In the 37 states as a whole, residential construction was in meager volume, though the decline from December is to be expected. A total of $54,375,500 marks the low of the past 6 years. Total non-residential construction declined to $78,369,800, the first month since 1925 that this group has fallen below the $100-million a month mark.

The volume of public works for January, comprising nearly 42% of the total contracts awarded, affords the most favorable comparison with recent months and preceding Januaries. With a total of $95,211,100 against $76.4 millions in December and $71.6 millions in November, the volume of public works and utility contracts exceeds the January totals of every year from 1925 through 1929.

The downward trend in bituminous coal production is not uncommon at this season, but the slackened demands of industry have lowered the level of output below that of 1922. Our adjusted index of this series shows a further decline to 62% of normal against 66% (revised) the preceding week. Electric power production declined approximately the usual seasonal amount so that our adjusted index remains unchanged at 89% of normal. Output is now about 6% under 1930 when peak production was recorded, and 2.3% under 1929.

Car Loadings Rise

The slightly upward trend in car loadings for the closing week of January is usual for the season. The fair-sized gain in the loadings of miscellaneous and less-than-carlot freight was comparable with corresponding weeks of past years and is reflected in our adjusted index based on these groups, which rose from 74% to 77% of normal. The large decline in coal loadings practically offset the substantial gains in the two classes above. Apparently the volume of trade of which miscellaneous and less-than-carlot freight are indicative is holding up better than productive activity. The preliminary report on department store sales for January corroborates this situation. Sales did not decline from the peak month of December as much as seasonally expected; hence the adjusted index of sales showed a 6% increase over December.

The upturn in the volume of check payments after a steady decline for 4 weeks is the usual trend of this important trade indicator. The sharpest increases occurred in the towns outside of the major financial centers. Since these figures covered the week of the last days of January and the first of February, the sudden rise is probably due to the first-of-the-month trade settlements and wage payments. Our adjusted index of these bank debits moved upward to 82% of normal.

Money in Circulation

Money in circulation has turned upward in usual form without falling below the 1930 level of last January. Our adjusted index, which takes account of price fluctuations, moved upward to 108% of normal against 107% the preceding week.

The highly fluctuating price situation in the commodity markets eclipses all activity in other fields. The sudden boom on the stock market, catching shorts napping, spread to the commodity exchanges, sending July wheat to the highest since December. Activity was most apparent in the new crops which are free from Farm Board control. The shift in activity from wheat, a controlled commodity, to corn, an open commodity, is shown in the monthly report of the Grain Futures Administration. Sales of wheat futures in ten markets in January totaled 346.9 million bushels against 1.3 billion a year ago, while trade in corn totaled 600 million bushels against 195 million in January 1930.

Cotton prices reached higher ground stimulated by the rise in the stock market and the Liverpool markets. Favorable figures on January cloth production, sales, and shipments were also factors. The world's visible supply of cotton on Jan. 16 was 1.8 million bales in excess of a year ago, due entirely to the large American crop. The movement of American cotton into sight during December was the lowest for the month since 1922, indicative of the extent of the holding movement.

The Index

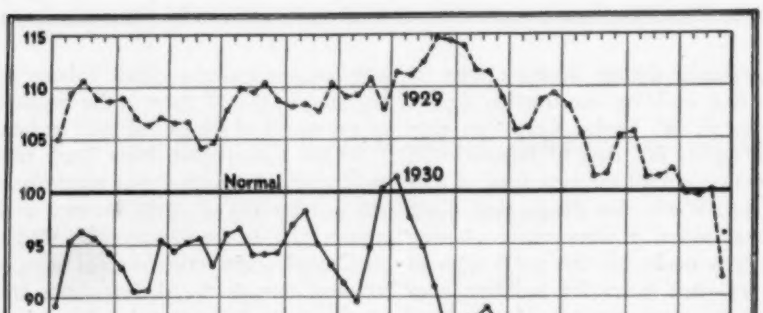
The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Metal Prices

Copper prices have fluctuated irregularly. Reduction of the export price on Feb. 7 to 9.80¢ brought in a steady flow of foreign orders to custom smelters. On Feb. 9, the export quotation was raised to 10.05¢, and on Feb. 11 to 10.30¢ to conform with the 10¢ domestic quotation. The February report on copper stocks shows a decline from December and January which, though small, is in the right direction if price stabilization and strengthening are to be relieved.

While no announcement of future steel prices is yet forthcoming, the impression seems to be gaining that the next turn covering the second quarter deliveries will be upward.

Commercial and security loans run below 1930 by several hundred millions. The decline in the former series was small for the week and usual for the season. Our adjusted index remains at the high level of 114% of normal when account is taken of the decline in prices, seasonal variation and long time trend.



Money and the Market

The stock market's spectacular zoom furnished the feature of the financial week. In other fields trends evident at the close of last week continued into this one.

The stock rise started on Saturday and continued through to the Thursday holiday in a persistent climb to levels at the bottom of the autumn decline. Profit-taking was absorbed in fairly good shape. Volume of sales rose to well above 4 million shares daily, after weeks of days averaging 1½ millions and less. This increase in volume attested public re-entry of the market as prices went up.

Reasons for the Rise

Accounting for the rise are a number of factors: (1) Eeasy money; (2) belief that a special session of Congress is now less likely than it seemed 2 weeks ago; (3) indication that bonus proposals had reached a compromise on an amount big enough to be stimulating, small enough not to be harmful; (4) improvement in the British money market, stopping gold losses; (5) French foreign lending, leading to hope that a new policy had been adopted in favor of such action; (6) improvement in commodity prices; (7) a more-than-seasonal increase in U. S. Steel's unfilled orders; (8) court approval of the Vacuum-Standard Oil of New York merger; (9) a strong technical position as a result of long liquidation; (10) short covering on the realization that prices could not immediately be put down from last week's levels. Some other slight signs of business improvement also helped.

But a more comprehensive evaluation of present conditions makes the permanency of Wall Street's allegro mood doubtful. The present rise results from an inevitable reaction from the pessimism prevailing a few weeks ago. But until fundamental business activity shows definite signs of an increase of better-than-seasonal proportions, many observers believe the duration of the bull market will be limited to a few weeks at most, and speculators are being urged to be extremely alert against sudden changes.

Caution Still Needed

Factors which indicate the need of caution: (1) A strong indication from the first 6 weeks of business that first-quarter earnings will be poor, possibly even in comparison with the final quarter of the year; (2) the strong doubt indicated by recent thorough surveys that building will show more than seasonal improvement during the first quarter; (3) the less hopeful automotive outlook; (4) an obscured agricultural picture, with no hope of increased purchasing power, at least until June; (5) unfavorable developments in Germany and renewed concern over Russia; (6) the fact that a special session of Congress is far from impossible; (7) inevitably higher taxes; (8) lack of certainty that commodity price deflation is ended.

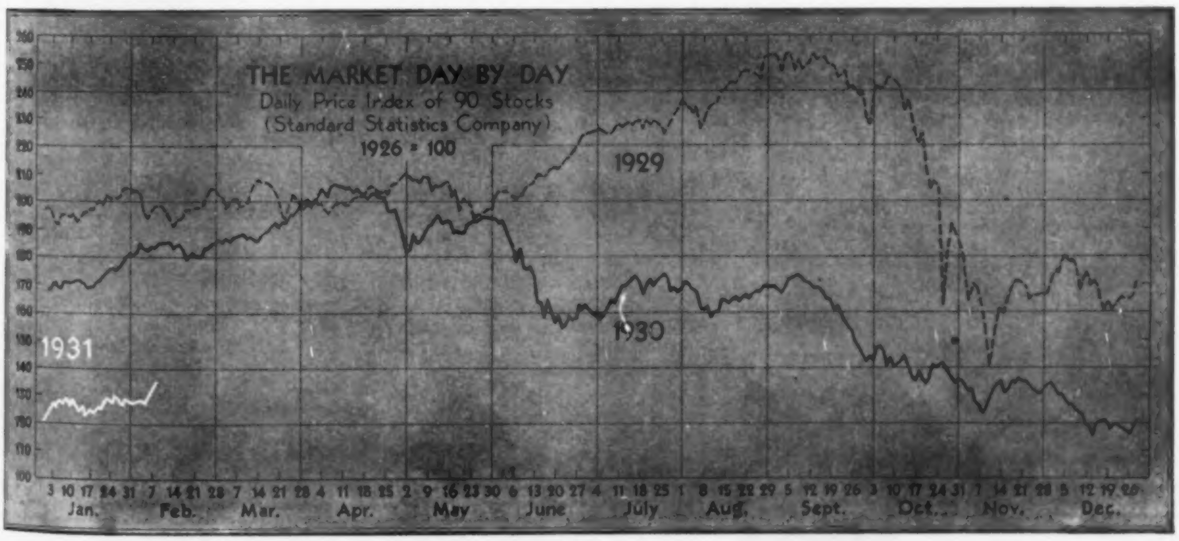
Bond prices continued to rise this week on bank buying and further decreased fear of a disrupting government security issue for bonus payment purposes. Banks, both in and out of New York, were good buyers both of government and other securities, and the individual buying which helped the market along a few weeks ago continued in some volume.

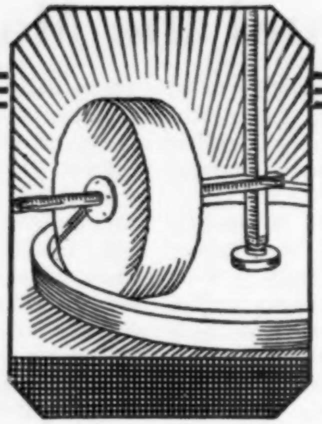
The rise is perfectly natural under present conditions, with money rates as low as they are and the large supply of short-term funds seeking investments. The banks are faced with a small demand for loans of the type which they are willing to make, while their time deposits are increasing, permitting more permanent investment of funds. Due to continually falling rates of interest on time deposits, however, there is no certainty as to how long investors will leave them with banks rather than buy bonds themselves.

The supply of new bonds through new issues was very small this week, a further fact which aided the price rise. Flotations in the short weeks totaled less than $25 millions, compared with $40 millions last week and about $175 millions the preceding week. Most of this week's funds were raised by municipalities in small amounts. Utilities came next in total of funds raised. The real test of the bond market's strength will come when larger totals of new issues are floated.

Short-Term Money Rates

Short-term money rates continued to drop. Bankers' acceptance rates were cut another ⅛% to 1½@1⅝%, and the demand continues to exceed the supply. The Treasury cut the interest rate required on its deposits to 1% from 1½%. The New York clearing house reduced its rate on time deposits to 1½% from 2%. Gold imports continued to exert an easing influence. Total loans and investments of banks rose slightly for the first time since November.





Burying an old Spanish Custom

The old man walked around and around the circle. He was harnessed to a wooden arm which turned the ancient millstone. "Why don't you let your donkey do that work?" he was asked. "This, I've always done," he answered.

Mechanically, the publishing industry is alert to inventiveness. Editorially it often clings to traditional and often obsolete formulae.

Among the customs zealously guarded by the solons of the printed word, is the beautifying of front covers. Custom decrees that this expanse shall be made optically appealing in the hope that it will intrigue the casual reader's fickle taste and perhaps make him buy. One glance at a newsstand gives eloquent evidence of the headscratching necessary to produce something that hasn't been done before.

The Business Week cast aside this old custom. Its front cover is the most prominent space in the publication. Therefore, it carries the most vital news —the weekly Business Index. In the face of warning, criticism and dismay, we've put our editorial ace, out where all can see. Why? We know that you busy men who control the bulk of this country's business aren't mixing business realism with prettified art; haven't the time to be cajoled through padded pages to find the hidden substance.

Thus, this same disregard of blazed trails characterizes this publication in every department. You and 75,000 others of equal stature, meet a new kind of business news on every page. You find no "hands off" signs on any legitimate subject. For, The Business Week must serve you men whose whole tempo is regulated by progress—the most important group in the nation.

If you, as the arbiter of your advertising strategy, can use the influence of these others, then your first logical advertising step should be in the pages of The Business Week.

Personnel Conference Looks 10 Years Ahead

DR. JOSEPH H. WILLETS, professor of industrial management, Wharton School of Finance and Commerce, expects these developments in personnel management in the next 10 years:

(1) Increasing sense of social responsibility by industry and increasing participation of government in the establishment and maintenance of minimum standards; (2) greater security for workers from the hazards of business, particularly those of old age and unemployment; (3) a shorter working week; (4) improving quality of executive management and leadership; (5) increasing research in economic and industrial problems; (6) greater attention to the study of emotions as a means of gaining better understanding of human behavior.

This forecast was made at the personnel conference of the American Management Association at Niagara Falls last week. To the same audience, Ordway Tead, editor of business books, Harper & Bros., offered these suggestions on the causes and cure of business instability:

(1) the problem is fundamentally an international one and can be solved permanently only on a basis of world-wide planning and control; (2) the competitive and individualistic character of our industries will ultimately prove a fatal defect unless we can relate producton more closely to available purchasing power.

Letters

Pure Oil in the Van

The Pure Oil Company
Chicago

To the Editor:

I notice in *The Business Week* of Jan. 28 the heading of an article "Unit Operation Gets Try-Out in First Major Oil Field."

We have been operating the Van field since a year ago last October, and I think that that is the first major field under unit management. There is no question of Van being a major oil field, as I think there is no doubt that it would produce seven or eight hundred thousand barrels a day, and the potential which has been set up for proration purposes is 2,750,000 barrels per day. Kettleman Hills is probably the only field in the country that I think could reasonably claim a good prospect of ultimately higher total recovery.

Certainly there is no question about Van being a major field, and no question of our pride in the fact that we brought about the first big unit operation, as you have perhaps already gathered. You have always been so good that I am certainly not writing this letter in any complaining spirit.

Yours very truly,
HENRY M. DAWES,
President

Mr. Dawes is right. The Van Pool, in east central Texas, is a major pool with tremendous potential production; it has been operating for nearly 15 months under a unit plan in which 5 companies—Pure Oil, Shell Petroleum, Humble Oil & Refining, Sun, and Texas—are joined. Operations are carried on by Mr. Dawes' company. Since rigid proration under unit operation has been in force from the very beginning, the Van Pool has never received much publicity.

The Two (or Three) Aetnas

Aetna Life Insurance Co.
Hartford, Conn.

To the Editor:

Our attention has been called to the fact that the new home office building of the Aetna Life Insurance Co. was published in the Jan. 21 issue of *The Business Week*, with a caption indicating that it was the home of the "Aetna Insurance Company," which is an entirely different organization.

Would it be asking too much to have this matter corrected in a future issue?

Very truly yours,
STANLEY F. WITHE,
Manager.

Aetna Insurance Co., founded 1819, has some $6 billions fire insurance in force. Aetna Life, founded 1850, has some $4 billions life insurance in force. It is affiliated with Aetna Casualty, founded 1883, with $20-odd millions premiums in force. Also Automobile Insurance Co.
All are in Hartford.

Peaceful Honduras

Consulado General de Honduras
New York

To the Editor:

Going over the business section of your magazine, I have found, to my surprise, the report of "smolderings" in Honduras.

There is no foundation whatsoever to such information. The country is at peace, the government is developing the national industries, stimulating all kinds of commercial enterprises and giving full support to the working class. To achieve this, the Executive Power counts with the cooperation of Congress and the mass of the people.

Reports like the one you have published are bound to injure the increasing trade between my country and the United States of America. Therefore I would see with pleasure some sort of statement in your next issue of your publication declaring that such report with regard to Honduras was not true.

I take this opportunity in sending you a report on the finances of my country, year of 1930.

Trusting that you will find my petition completely justified, I remain,

Yours truly,
S. PAREDES REGALADO,
Consul General

Guatemala, Panama, had just overthrown governments. Private cables informed us there was restiveness in Honduras.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

February 18, 1931

Relief Reflections

THE dispute between the President and the Senate over the best way to help farmers in Arkansas and elsewhere suffering from the consequences of drought and depression involves two important problems for American business. Whichever side, if either, has won the victory in the dispute, these problems remain unsolved, and they are likely to rise up to plague us again until they are.

One is whether we are to devote public funds to private purposes, use money collected by taxation of certain groups to relieve distress of other groups caused by natural calamities, or by business depressions (also regarded as natural calamities), or by any circumstances making for economic inequalities, which are usually considered natural and inevitable when they do not happen to us.

The President was right in his opposition to this principle, but he did not get as much support from business as he deserved. The business community is apparently not quite sure of itself on this issue. It is easy to cite instances in which the public has been and is being taxed to aid special groups, and many business interests would be glad to get such aid if they could. It is always hard to draw the line in such matters, and especially hard when business itself is on both sides of the line.

Moreover, if business depression is an act of God, like drought, it is hard to draw the line between distressed farmers and unemployed city workers. The American way of meeting the one condition by private charity is perhaps proper and satisfactory, but it is an unpleasant and obviously inadequate way of meeting the other. The business community undoubtedly feels this, but so long as it does not find any alternative way of meeting the unemployment problem its objections to the use of public funds for this purpose are likely to be weakened, especially in the eyes of the unemployed. And once the principle is established in this matter, it will inevitably be extended to every sort of economic inequality which enough people feel to be an unnecessary hardship.

A second, closely related but less obvious, issue in this controversy is whether the government is to become a source of credit when the private banking system does not function properly. The President and the Senate apparently agree that it is proper for the government to loan farmers money to buy food, as well as seed and feed; and it probably is, because in Arkansas and other sections where farming is done largely on the tenant or cropper basis, loans by landlords and banks for food are normally part of the credit advanced for production. But in many other parts of the country and in many lines of business beside farming, producers at least as solvent as Arkansas croppers are not able to obtain at reasonable rates credit with which to pay workers while their goods are being produced.

If it is a question of principle there is very little difference between loaning public funds to private persons and giving them away. But here again, as in the case of public support of the unemployed, the sound objections to the government's going into the banking business are likely to be greatly weakened in public opinion if private financial institutions are not able or willing to provide needed monetary facilities to all solvent borrowers at a price they are able to pay.

It seems to be inescapable that where private business does not do something that is necessary, government will sooner or later be forced to do it whether we like it or not. We don't like it, and we wish business didn't like it a little harder, too.

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